

We manage risks

ANNUAL REPORT OF THE GEN-I
BUSINESS GROUP
AND THE COMPANY GEN-I,
TRGOVANJE IN PRODAJA
ELEKTRIČNE ENERGIJE, D.O.O.
FOR THE 2008 BUSINESS YEAR



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GENERAL INFORMATION ABOUT GEN-I

FULL COMPANY NAME:	GEN-I, trgovanje in prodaja električne energije, d.o.o.
ABBREVIATED COMPANY NAME:	GEN-I, d.o.o.
COMPANY HEADQUARTERS:	CESTA 4. JULIJA, 42, SI-8270 KRŠKO, SLOVENIA
EQUITY:	EUR 8,000,000.00
OWNERSHIP STRUCTURE:	50% GEN ENERGIJA, D.O.O. 50% ISTRABENZ GORENJE, D.O.O.
COMPANY SIZE:	Large company
REGISTRATION NUMBER:	1587714
VAT NUMBER:	71345442
COURT REGISTER ENTRY NUMBER:	1/04524/00; REGISTERED AT THE DISTRICT COURT OF KRŠKO
DATE OF LAST COURT REGISTER ENTRY:	DECEMBER 24TH, 2007
COMPANY'S CORE ACTIVITIES:	Electricity trading Supply of electricity to end-customers
E-MAIL:	info@gen-i.si
WEBSITE:	www.gen-i.si
COMPANY MANAGEMENT:	Robert Golob, PhD, President of the Management Board Martin Novšak, Vice President of the Management Board Igor Koprivnikar, PhD, Member of the Management Board Responsible for Trading Dejan Paravan, PhD, Member of the Management Board Responsible for Electricity Sales
MANAGEMENT MODEL	Unitary board

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O.

2008 BUSINESS YEAR. KEY FIGURES

Item/year	2008 (IN THOUSANDS OF €)	2007 (IN THOUSANDS OF €)	2008/2007
Operating revenues	320,887	148,708	2.16
Operating profit or loss	9,044	5,835	1.55
Profit before tax	6,782	3,719	1.82
Net profit or loss in the accounting period	5,216	2,861	1.82
Non-current assets	1,783	860	2.07
Current assets	85,849	37,029	2.32
Assets	87,633	37,889	2.31
Equity	13,443	10,856	1.24
Liabilities	74,189	27,034	2.74
Total equity and liabilities	87,633	37,889	2.31
Number of employees as of December 31st, 2008	47	30	1.57
Quantity of electricity sold in TWh	4.4	2.6	1.69

Indicator/year	2008	2007
Equity financing rate	15.34%	28.65%
Long-term financing rate	15.39%	28.75%
Operating fixed assets rate	0.90%	1.50%
Acid-test ratio	3.01%	8.87%
Quick ratio	105.22%	108.07%
Current ratio	115.79%	137.16%
Operating efficiency ratio	102.81%	104.09%
Net return on equity ratio	55.61%	38.93%
Revenue profitability ratio	2.09%	2.48%

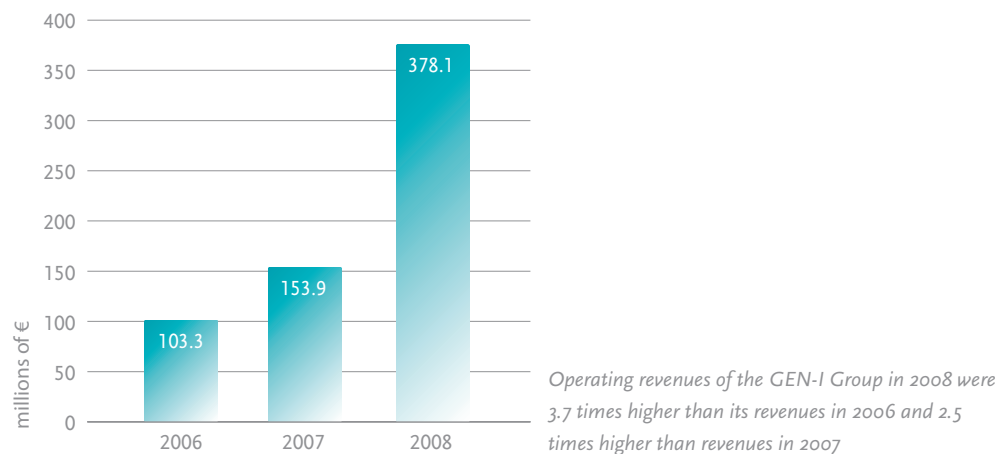
GEN-I BUSINESS GROUP

2008 BUSINESS YEAR. KEY FIGURES.

Indicator/year	2008	2007	2008/2007
	(IN THOUSANDS OF €)	(IN THOUSANDS OF €)	
Operating revenues	378,149	153,961	2.46
Operating profit or loss	14,365	6,705	2.14
Profit before tax	12,453	4,622	2.69
Net profit or loss in the accounting period	10,164	3,679	2.76
Non-current assets	895	848	1.06
Current assets	88,212	36,240	2.43
Assets	89,107	37,089	2.40
Equity	18,674	11,676	1.60
Liabilities	70,433	25,412	2.77
Total equity and liabilities	89,107	37,088	2.40
Number of employees as of December 31st, 2008	53	32	1.66
Quantity of electricity sold in TWh	5	2.7	1.85

Indicator/year	2008	2007
Equity financing rate	20.96 %	31.48 %
Long-term financing rate	21.01 %	31.58 %
Operating fixed assets rate	0.88 %	1.54 %
Acid-test ratio	5.80 %	15.65 %
Quick ratio	112.19 %	112.37 %
Current ratio	125.24 %	142.81 %
Operating efficiency ratio	106.79 %	104.58 %
Net return on equity ratio	87.78 %	47.15 %
Revenue profitability ratio	3.29 %	2.97 %

GROWTH OF GEN-I'S OPERATING REVENUES IN THE PAST THREE YEARS



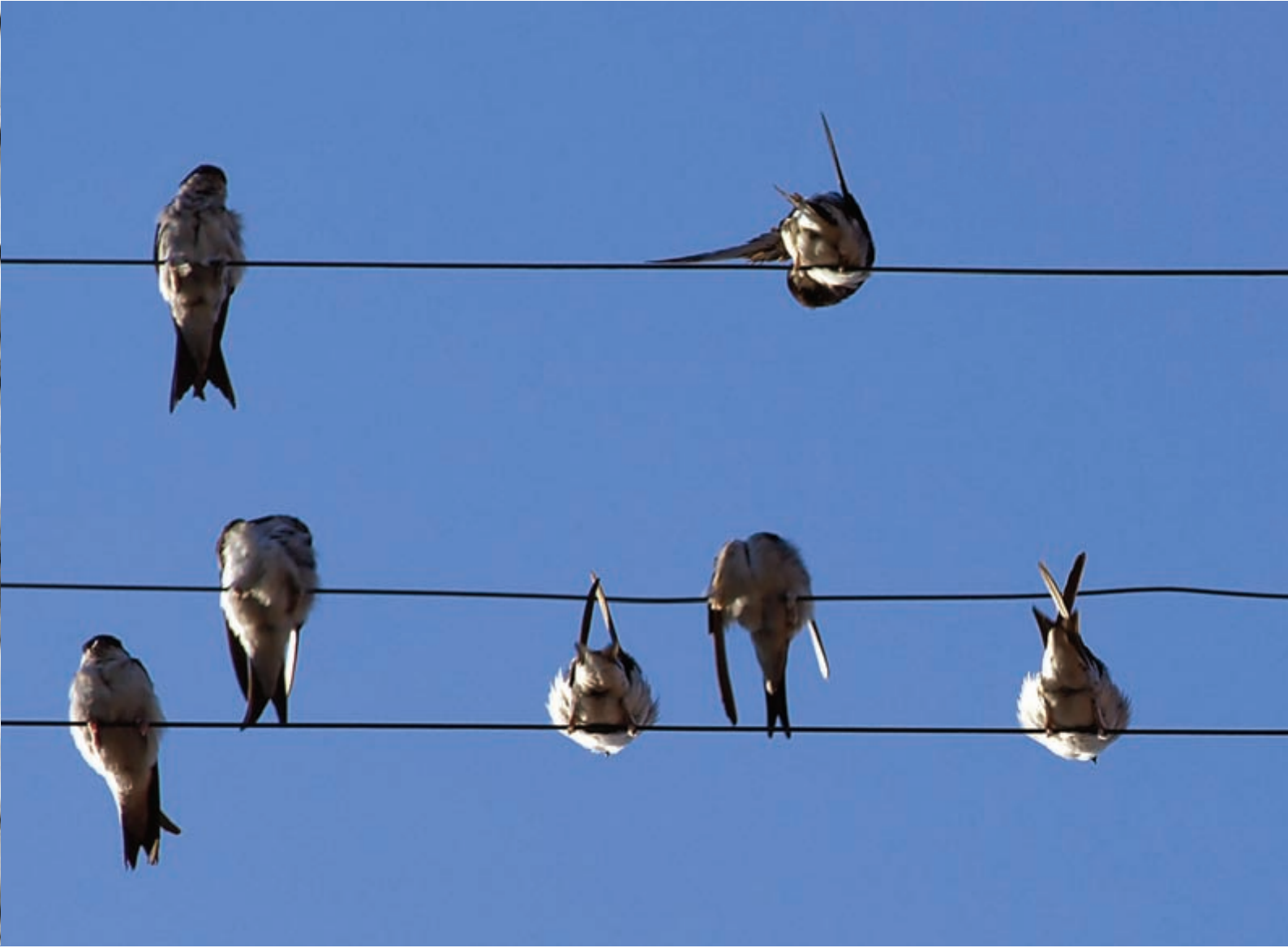
GEN-I'S FIGURES IN COMPARISON

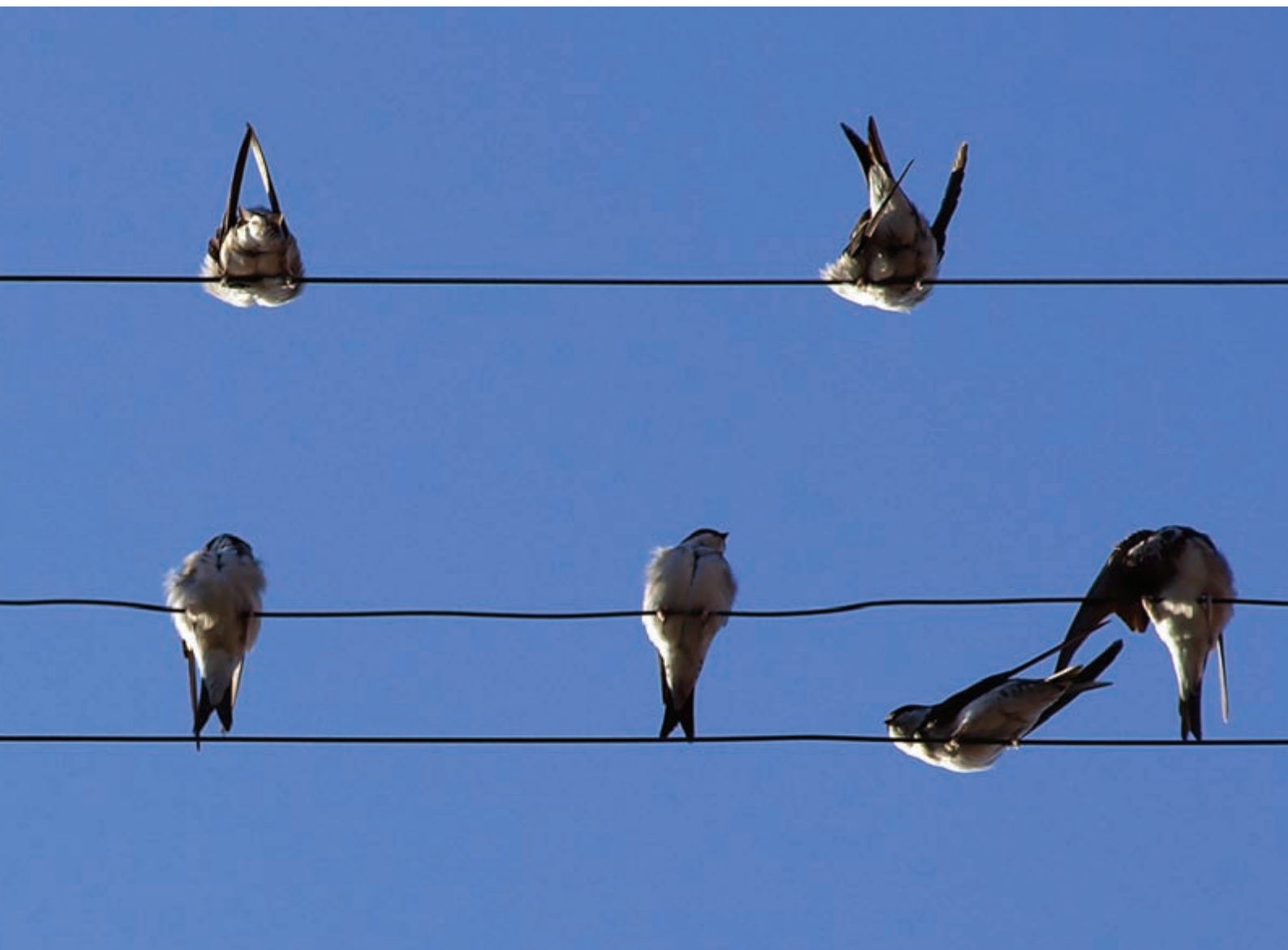
- At the national level, annual electricity consumption in Slovenia is 13 TWh. In 2008, the GEN-I Group sold a total of 5 TWh of electricity, of which half (2.5 TWh) was sold in Slovenia.
- The total consumption of all households in Slovenia over a 4-month period is 1 TWh of electricity. The quantity sold by GEN-I in 2008 (5 TWh) could cover the delivery of electricity to all households in the country for 20 months.
- The average electricity consumption of a single Slovene household in a 3-month period is 1 MWh. In 2008, the GEN-I Group sold almost 14,000 MWh of electricity a day. This quantity would be enough to supply electricity to 42,424 Slovene households for a month*.
- In an average hour on an average day, GEN-I sold 568 MWh of electricity, which is enough to cover the monthly consumption of 1,721 households in Slovenia.
- One factory in the metalworking industry with 400 employees uses 3.5 GWh of electricity each year. The GEN-I Group sold almost 120 times more electricity in a single month in 2008.

* Calculations are based on data for 780,000 households in Slovenia (source: Statistical Office of the Republic of Slovenia (SURSTAT); 2002 Census Survey) and the average electricity consumption of the average Slovene household, which is approximately 330 kWh/month.

Energy knows no boundaries,
but it does know interregional risks.







Providing the right transfer capacities at the right time means ensuring safer electricity supply.



I.1

MISSION, VISION, STRATEGY

MISSION:
RESPONSIBLY. WITH KNOWLEDGE. BY
MANAGING RISKS.

By managing risks we take responsibility for electricity. Our know-how, professional approach, and creativity help us supply electricity efficiently by enabling production resources to manage risks, and by providing end-customers with quality delivery services and cost-management solutions.

VISION:
STRENGTH OF A BALANCE GROUP

We have been strengthening our position as the second-largest balance group in the Slovene electricity market and have been increasing our presence in regional markets. By constantly improving and combining our competitive advantages, we have been achieving excellent economies of scale, improving the reliability of our electricity delivery.

STRATEGY:
INVENTIVE. OPTIMAL. RESPONSIVE.

To ensure the strength of our balance group, which is based on responsible electricity sales, we:

- Manage and coordinate the balance group and add new production sources, thereby increasing competition in the Slovene electricity market;
- Use a transparent and fair approach to production sources within the balance group, helping them optimize the sale of electricity and manage risks related to unforeseen production unit outages;
- Continue to reinforce and develop the infrastructure for trading electricity products and cross-border transfer capacities internationally;
- Offer end-customers advanced and innovative electricity supply products;
- Rely on a flexible organizational structure, efficient information support, innovative products, and a fair approach to our business partners to help us reinforce our presence in European markets, especially the less-liquid energy markets of the former Yugoslavia and other SEE countries;
- Create a working environment that stimulates innovation and encourages the professional growth of our employees.

By constantly combining cutting-edge knowledge with a flexible and efficient information system and access to our own production sources, we are able to effectively manage risks across the entire supply chain. Our in-depth understanding of the needs of everyone involved guarantees high responsiveness and fuels the development of innovative trading instruments. These approaches together with our increasingly international operations have enabled us to achieve greater synergies, further increasing our reliability.

1.2

BASIC OVERVIEW OF THE COMPANY AND THE GROUP

GEN-I BUSINESS GROUP: INTERNATIONAL ADAPTABILITY

THE GEN-I BUSINESS GROUP IS THE SECOND-LARGEST BALANCE GROUP IN THE SLOVENE ELECTRICITY MARKET WITH AN INCREASINGLY STRONG PRESENCE IN REGIONAL SEE MARKETS.

In addition to the Slovene parent company GEN-I, trgovanje in prodaja električne energije, d.o.o., the GEN-I Group encompasses subsidiaries and representative offices outside Slovenia. At the end of 2008, there were seven subsidiaries in the Group apart from the parent company and its two organizational units. They operate in the following SEE countries: Croatia, Serbia, Hungary, Macedonia, Greece, Bosnia-Herzegovina, and Albania. The Group also has a trade representative office in Bulgaria. In all of the above countries, companies must have a locally registered legal entity as well as local permits and licenses for electricity trading and supply to be able to participate in the electricity market. The GEN-I Group also operates in the German, Austrian, Italian, Romanian, Kosovo, and Montenegrin markets. Altogether, it is present in 15 different countries.

Subsidiaries within the GEN-I Group are fully owned by GEN-I, d.o.o. and are engaged in bilateral and cross-border trading of electricity products and cross-border capacity rights. Recently, they have started selling electricity to large business customers in local markets as well. Although the majority of operative trading activities are carried out by the parent company in Slovenia and its trading-oriented organizational unit in Ljubljana, the local presence in individual markets enables the Group to gain in-depth knowledge of market conditions in the wider region. As a result, the Group's ability to develop innovative products and services is significantly improved.

By establishing subsidiaries abroad, GEN-I has been implementing its strategic focus on SEE countries. The inclusion of additional electricity sources and

consumption units and the resulting synergies enable the company to provide a more optimized supply to end-customers abroad and even more so in Slovenia.

The member of the management board responsible for trading in the Slovene parent company is also responsible for the performance of foreign subsidiaries, which base their operations on cooperation with prominent local experts.

COMPANIES OF THE GEN-I GROUP: A NETWORK OF COMPETENCE

GEN-I, d.o.o., SLOVENIA

GEN-I, d.o.o. is the fastest-growing company in the electricity trading and sales sector in Slovenia, and has been penetrating electricity markets in central and SE Europe. The company's three main activities include purchase of electricity from producers, electricity trading, and sale of electricity to end-customers.

Ljubljana organizational unit:

With its trading center in Ljubljana, GEN-I has been implementing its vision of becoming a prominent, competitive electricity trading specialist, especially in cross-border electricity flows. This unit's activities effectively link the sale and purchase segments of the company's portfolio, at the same time increasing trading dynamics and the diversity of products. The unit has a central role in coordinating the Group's international trading infrastructure in 15 countries. This extensive network ensures excellent economies of scale and perfect reliability when it comes to electricity supply and the fulfillment of contractual obligations.

Nova Gorica organizational unit:

The Nova Gorica organizational unit focuses on supplying electricity to the Slovene market. The best possible sales activities and the quality of comprehensive services tailored to customer needs are achieved based on continued improvement of supply services, competitive prices, and a wide range of advanced customer-

oriented products. This unit also ensures flexible and advantageous market conditions for smaller producers that primarily generate electricity from renewable sources. In this segment, the company holds the largest market share in Slovenia.

GEN-I Zagreb d.o.o., CROATIA

This Zagreb-based company is GEN-I's first subsidiary founded outside Slovenia. It has been an important link between electricity markets in Hungary, Bosnia-Herzegovina, Serbia, and Slovenia since 2006. The company has been strengthening its role in the Croatian electricity market, which is gradually being liberalized.

GEN-I d.o.o. Beograd, SERBIA

The company in Belgrade was the second one founded by the parent company, but its business acumen makes it one of GEN-I's most important subsidiaries. It is engaged in numerous cross-border electricity purchase and sale transactions across the entire SEE region. The company's significance is further enhanced by Serbia's influential strategic and geographical position in the regional electricity market and its place in transit flows with neighboring countries.

GEN-I Budapest Kft., HUNGARY

The total annual electricity consumption in the Hungarian market is 37 TWh. This makes Hungary one of the most promising regions for expanding the business operations of the GEN-I Group. In its two years of operation, GEN-I Budapest has set up the entire infrastructure necessary for cross-border electricity trading. In 2008 GEN-I sold 800 GWh of electricity in Hungary, making it one of the most important suppliers and strategic partners in this country's wholesale market.

GEN-I DOOEL Skopje, MACEDONIA

GEN-I has been present in the Macedonian wholesale electricity market since 2004. Its first cross-border electricity supplies that very year were directed to Macedonia. In 2008 GEN-I strengthened its presence in the Macedonian market by incorporating the subsidiary GEN-I DOOEL Skopje, which now enables the Group to participate in the country's domestic electricity market and electrici-

ty sales to end-customers. The Macedonian market is a strategically important region for future expansion of the GEN-I Group.

GEN-I Tirana Sh.p.k, ALBANIA

The subsidiary GEN-I Tirana joined the GEN-I Group at the end of 2008. This company is expected to start operations in 2009, when Albania finally adopts its national energy laws. The company will also ensure the development of trading activities in the domestic market.

GEN-I, d.o.o., Sarajevo, BOSNIA-HERZEGOVINA

With the founding of GEN-I Sarajevo in 2008, the Group completed its presence in the electricity markets of all of the former Yugoslav countries. This company is expected to start operations in 2009 and will provide direct access to electricity surpluses created by electricity producers in Bosnia-Herzegovina.

GEN-I Athens SMLLC, GREECE

The subsidiary in Athens was founded in 2008, and is the GEN-I Group's first step towards entering the Greek electricity market. The company is still acquiring the necessary licenses and setting up the business infrastructure necessary for trading electricity in Greece.

For several years now, GEN-I, d.o.o. has been the fastest-growing electricity trading company in Slovenia with an increasingly strong presence in regional SEE markets. The company's key advantages at all levels of its operations are risk identification and professional risk management.

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O.: A DYNAMIC APPROACH FOR OPTIMAL RESULTS

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O.'S ACTIVITIES INCLUDE PURCHASE OF ELECTRICITY FROM PRODUCERS, ELECTRICITY TRADING, AND SALE OF ELECTRICITY TO END-CUSTOMERS.

Based on dynamic coordination and optimization of its three main activities, the company develops advanced products and comprehensive services for the electricity market. Its flexibility ensures production sources and qualified producers with optimal conditions for purchasing electricity, and provides end-customers and trading companies with quality services and reliable electricity supply. In the complex regional market, the company offers its partners advanced custom products.

The company, whose registered headquarters are in Krško, has two organizational units: in Ljubljana and Nova Gorica. The Nova Gorica unit purchases electricity from producers and sells it to end-customers in Slovenia. At the end of 2008, the company primarily supplied electricity to business users, but had also started the trial supply of electricity to a small number of households. The organizational unit in Ljubljana is mainly involved in trading electricity on European stock markets, concluding bilateral agreements on wholesale electricity markets in western and SE Europe, and managing the company's balance group. Using advanced trading instruments, the company has been connecting the two opposite poles of its activities: purchasing electricity from producers and selling electricity to end-customers.

The main goals of the GEN-I Group are focused on enhancing electricity sales and purchases. The accomplishment of these goals is inextricably linked with the optimal use of trading tools and the development of advanced products, which are crucial

to both producers and customers. The company's dynamic growth over the past years is based on good corporate governance and skilled management of quantity, price, and financial risks at all levels of the Group's operations.

1.3

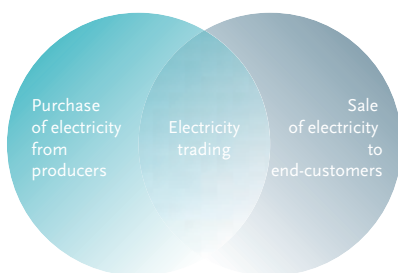
COMPANY ACTIVITIES

BUSINESS MODEL: THE TRIPLE POWER OF ADAPTABILITY

THE ACTIVITIES OF GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O. ARE A LINK BETWEEN PRODUCTION SOURCES AND END-CUSTOMERS.

A dynamic mix of purchase, sales, and trading activities helps the company form lasting partnerships with producers while maintaining the competitiveness of what it can offer its customers. The key to success and the best results on both sides is trading – an activity in which the company creates added value in a number of ways by combining experience, expert knowledge, and international relations. It is because of this constant association with trading that GEN-I is able to achieve both optimal selling prices for producers and competitive purchasing prices for customers.

An optimum price policy in the purchase and sale segment is the company's strongest competitive advantage, making it one of the most successful electricity trading companies in Slovenia and abroad. It also enables the company to achieve one of the basic goals of its business strategy: to sell electricity generated by producers within its own balance group. Because of its appreciation of customer needs, innovative approach to developing products and



GEN-I, d.o.o.'s three main activities in the electricity market

services, and risk-management skills, the company plays a valuable role in ensuring cost-effective electricity supply in the domestic market.

PURCHASE OF ELECTRICITY FROM PRODUCERS: COMPREHENSIVE ELECTRICITY SALES SERVICES

THE PURCHASING PRICES AND CONDITIONS AGREED IN CONTRACTS AND TRANSACTIONS THAT GEN-I, D.O.O. NEGOTIATES WITH ELECTRICITY PRODUCERS ARE ADJUSTED TO THE OPERATIONAL GOALS OF INDIVIDUAL PRODUCERS.

The first of the three activities that link members of the GEN-I balance group is purchasing electricity from producers. Because electricity products vary between production units and do not match standardized products in the electricity market and products intended for comprehensive supply to end-customers, GEN-I adjusts its offer in the various segments according to quantities, dynamics, price models, and risk structures. In this way, GEN-I enables producers to sell electricity in a responsible and transparent manner and manage risks associated with unforeseen production-unit outages. When identifying the best sales models, GEN-I takes into account the needs and business goals of the seller.

Producers can choose from a variety of customized cooperation models: either with fixed selling prices or with flexible purchasing agreements, in which prices are determined based on European electricity market prices or according to changes in the price of primary fuels used by production units. Because its purchasing arrangements can be adjusted to individual producers, GEN-I is an excellent partner to small and medium-sized producers.

To **large producers**, the GEN-I Group offers effective market access and transparent sale of the electricity produced to target customers. In-depth understand-

Adjusting our selection and methods of cooperation to the needs of individual business partners means that both GEN-I and electricity producers are able to better manage business risks. Decision-making is based on profound insight into market events and in-depth understanding of producers' operative characteristics. The company offers its business partners professional support, helping them shape customized electricity purchase products based on their technical characteristics and market developments.

ding of both the technical aspects of production and marketing mechanisms enables GEN-I's experts to identify the best sales strategy in close cooperation with producers. This includes systematic and targeted sale of electricity using long-term, medium-term, and short-term transactions finalized through optimization in the daily and intra-day market. A 24-hour response team of trading specialists provides GEN-I's partners with effective alternative solutions in the case of electricity outages due to malfunctions and production interruptions.

which mainly include producers of electricity from renewable sources and high-efficiency cogeneration plants, benefit from GEN-I's reliability, expertise, and acceptance of risks associated with production conditions and electricity-market price fluctuations. GEN-I assumes quantity risks arising from possible disruptions in supply due to malfunctions or weather-related production cuts. An important advantage for companies that sign cooperation agreements with GEN-I is that it takes on market risks in cases in which the purchasing price of electricity depends on variable prices of primary energy sources necessary for production. When it comes to managing electricity purchases, GEN-I is a valuable partner whose comprehensive services help simplify purchasing procedures while its expertise ensures optimized decision-making.

Our **trusted partners** include several producers working closely with Gen energija, d.o.o.: the Krško Nuclear Power Plant, the Savske elektrarne (hydro power plant) in Ljubljana, the Termoelektrarna Brestanica (gas power plant), the largest Slovene cogeneration plant Termoelektrarna Toplarna Ljubljana, and smaller producers, including more than 35 small hydroelectric power stations, and several solar and biogas plants. GEN-I, d.o.o. remains the leading Slovene company in terms of the share of electricity purchased from producers using renewable sources, waste, and high-efficiency cogeneration plants for electricity production.

ELECTRICITY TRADING: MANAGING SURPLUSES AND SHORTAGES

ELECTRICITY SURPLUSES AND SHORTAGES RESULTING FROM OPEN PORTFOLIO POSITIONS ARE MANAGED CENTRALLY WITHIN THE GEN-I GROUP. THE PORTFOLIO INCLUDES AGREEMENTS ON THE PURCHASE OF ELECTRICITY FROM PRODUCTION SOURCES, AGREEMENTS ON ELECTRICITY SUPPLY TO END-CUSTOMERS, AND A NUMBER OF PRODUCTS USED IN BILATERAL AND ORGANIZED TRADING. PORTFOLIO OPTIMIZATION IS BASED ON EXPERTISE, INTERNATIONAL EXPERIENCE, AND AN APPROPRIATE INFRASTRUCTURE.

GEN-I has established the entire infrastructure necessary for trading electricity in domestic and foreign markets and for purchasing and selling cross-border transfer capacity rights. All trading activities are coordinated centrally.

With the Slovene parent company and the subsidiaries set up in various countries, the Group is able to operate independently both in highly developed western European markets (Germany, Austria, and Italy) and in the less-liquid SEE region (Hungary, Croatia, Bosnia-Herzegovina, Serbia, Macedonia, Montenegro, Albania, Romania, Bulgaria, and Greece). GEN-I, which is an active member of four European electricity exchanges, is continuously developing its business infrastructure. The company has also applied for membership in two additional electricity exchanges.

The center point of the company's activities is a 24/7 trading floor that combines a wide array of services and functions for long-term and medium-term physical and financial derivatives agreements, weekly, daily and intra-day trading, and various forms of exchange market transactions. The round-the-clock trading floor:

- Ensures **access to international markets**, enabling the company to identify and take advantage of the most appropriate cross-border links between sources and customers;

Electricity trading enables GEN-I to reduce price risks and resolve the dilemma of simultaneously protecting the interests of both producers and consumers by ensuring that there is a counter-purchase for each sales transaction. Because it is usually impossible to sell and buy the same amount of electricity in individual markets at a given time, it is crucial for the company to be present in a large number of markets and to possess a centrally coordinated infrastructure in the wider region.

- Provides a **time gap between the moment electricity is purchased from producers and the moment it is sold** to end-customers with the help of various trading instruments, allowing the company to optimize prices for producers and customers;
- Allows the **transformation of products** used to purchase electricity from producers into comprehensive supply products offered to end-customers;
- Ensures effective **management of electricity surpluses and shortages** using dynamic trading leverages;
- Guarantees 24/7 responsiveness, enabling the company to provide **replacement energy in the case of** production unit **outages** or changed consumption needs of end-customers.

GEN-I's flexible, modern, and global approach to electricity trading and its sophisticated system for forecasting unified market prices (these are generated for all markets on an hourly basis) are used at all levels of its operations and can be attributed to the company's active presence in individual markets. They enable the GEN-I Group to effectively sell electricity produced by members of its balance group. Its infrastructure for cross-border wholesale trading on the other hand provides the necessary price and quantity data as well as other information for optimizing the short-term performance of production units.

The difficult economic conditions experienced by all of GEN-I, d.o.o.'s business customers have resulted in increased use of tools designed by the company to manage risks and electricity costs more effectively.

SALE OF ELECTRICITY TO END-CUSTOMERS: ADVANCED SERVICES TAILORED TO CUSTOMER NEEDS

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O. DEVELOPS ADVANCED PRODUCTS AND SERVICES FOR ELECTRICITY CONSUMERS WITH VARYING DEGREES OF MARKET RISKS. THE COMPANY WAS THE FIRST IN SLOVENIA TO OFFER LARGE CUSTOMERS INDIVIDUAL PORTFOLIO MANAGEMENT, ENABLING THEM TO USE ELECTRICITY-MARKET PRICE FLUCTUATIONS TO THEIR ADVANTAGE. BASED ON ITS OWN KNOW-HOW AND EXPERIENCE, THE COMPANY ALSO DEVELOPS PRODUCTS FOR MEDIUM-SIZED AND SMALL CUSTOMERS.

The company's innovative approach and its ability to adapt to different customer needs result in constantly increasing market shares in all customer segments. The most noticeable increase was recorded in the large industrial consumer segment and with customers that own a large number of measuring points.

The company's customized services have also resulted in growing numbers of medium-sized and small businesses that purchase their electricity from GEN-I, d.o.o. More than 400 members of the Chamber of Craft of Slovenia took advantage of the special offers that promised convenient electricity prices for small consumers.

Through a dynamic partnership with GEN-I, business partners are able to manage risks more effectively, adjust to market fluctuations, and consequently increase their revenues and reduce costs. Thanks to GEN-I's advanced services, the company has secured its place between electricity production and demand.

Being at the point where production meets consumption allows the company to use its advanced services for creating a balance between risk and reliability. Here are some of the advantages of these new advanced services:

- Electricity prices are constantly monitored and then used to produce analyses and provide consulting services to customers, enabling them to **buy electricity when prices are low**.
- The structured partial purchases of electricity allow companies to make their decisions in several steps, helping them **spread and reduce risks** and improve their ability to adapt to different environments.
- GEN-I's invoicing method, which allows electricity to be billed in one single invoice, is a special advantage offered to companies with a large network of establishments, shops, or production units. This helps **simplify their operations and improve the transparency of costs**.
- The web portal ("Terminal" application), in which authorized business partners can access market information, view and analyze their electricity consumption, submit electronic forms, notify the company of changes in their data, review invoices and archives, and plan their electricity costs, helps partners **actively plan, manage, and adjust their electricity consumption**.
- GEN-I's customized packages with only a few select advanced services are created based on individual partners' requirements, taking into account mutual interests and **offering partners solutions that are best suited to their particular needs**.

I.4

OWNERSHIP AND ORGANIZATION

OWNERSHIP AND CAPITAL RELATIONS: PARTNERSHIP AND SUBSIDIARIES

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O. IS OWNED IN EQUAL 50% SHARES BY ISTRABENZ GORENJE, D.O.O. AND GEN ENERGIJA, D.O.O. BASED ON A PARTNERSHIP FORMED IN 2006, GEN-I, D.O.O. MARKETS AND SELLS THE MAJORITY OF THE ELECTRICITY AVAILABLE TO SHAREHOLDER GEN ENERGIJA, D.O.O.

To meet the requirements of international trading, for which an extensive trading infrastructure is essential, GEN-I has established fully-owned subsidiaries abroad that form the GEN-I Group together with the parent company. In addition to the subsidiaries, the Group also includes a trade representative office in Bulgaria.

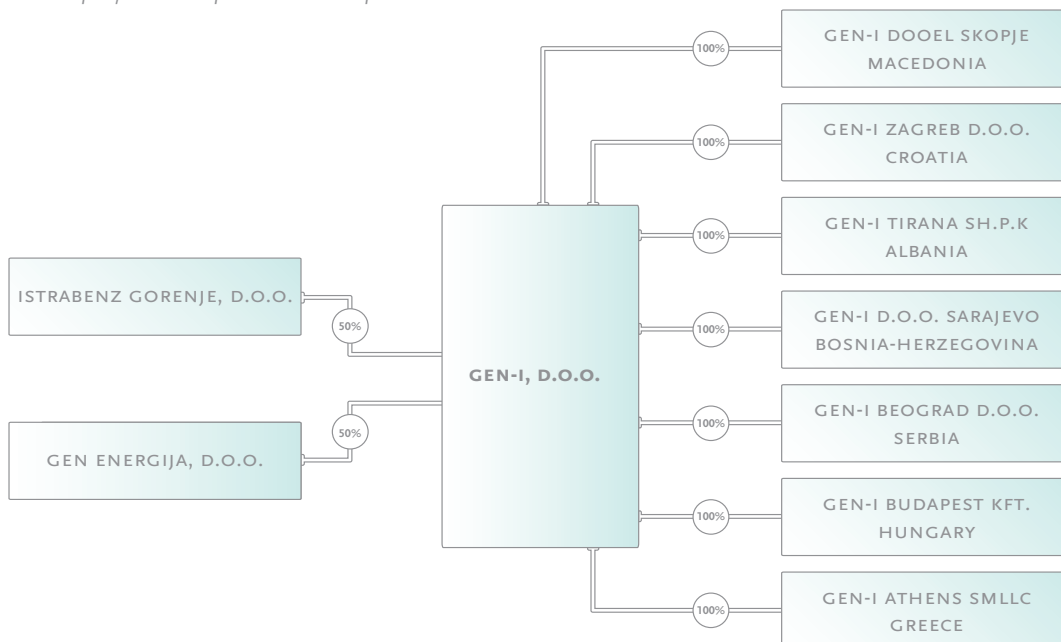
BALANCE GROUP RELATIONS: A GROUP OF BALANCE SUBGROUPS

THE GEN-I BALANCE GROUP IS MANAGED BY GEN-I, D.O.O. AND INCLUDES BALANCE SUBGROUPS CONSISTING OF ELECTRICITY PRODUCERS AND CONSUMERS. BOTH OF THESE SEGMENTS BENEFIT FROM SYNERGIES THAT ARE CREATED WITHIN THE GROUP IN REAL TIME – BETWEEN ELECTRICITY SUPPLY AND CONSUMPTION.

The GEN-I balance group includes:

- The **GEN balance subgroup** managed by GEN energija, d.o.o.; this subgroup connects producers such as the Krško Nuclear Power Plant, the Savske elektrarne (hydro power plant) in Ljubljana, and the Termoelektrarna Brestanica (gas power plant), all of which play a crucial role in securing reliable electricity supply to Slovene consumers,

The company's ownership structure and capital relations



- The **TE-TOL balance subgroup** managed by Termoelektrarna toplarna Ljubljana as an important high-efficiency cogeneration plant,
- **Two balance groups run by GEN-I's organizational units in Nova Gorica and Ljubljana** connecting consumers, qualified producers, and trading companies.

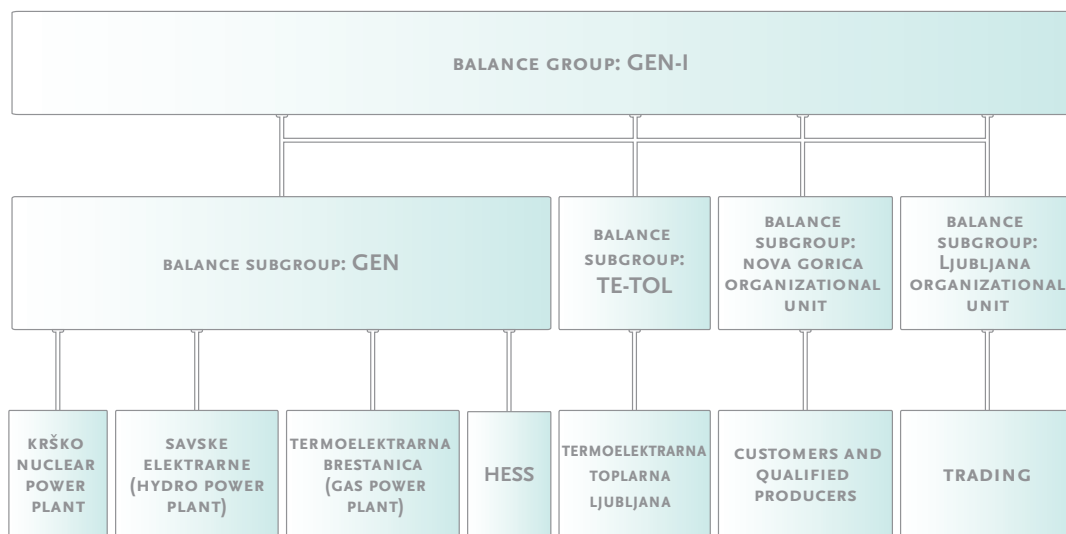
The GEN-I balance group was set up and operates in line with applicable energy legislation, maintaining the balance between electricity purchase and sales flows and schedules in the various balance subgroups. For producers, membership in the balance group means optimal selling conditions for the electricity they produce and management of risks associated with unforeseen production unit outages. In these areas, the group aims to achieve the highest possible level of transparency.

**ORGANIZATION AND MANAGEMENT:
A STRATEGICALLY EFFICIENT
MANAGEMENT MODEL**

THE GEN-I GROUP HAS BEEN DYNAMICALLY EXPANDING AND GROWING THROUGH THE USE OF ITS ABILITIES, KNOW-HOW, AND EXPERIENCE. AN IMPORTANT FACTOR IN ITS GROWTH IS THE MODERN, CENTRALIZED MANAGEMENT SYSTEM ESTABLISHED AT GEN-I, D.O.O.

The company's management does not consist of a separate management and supervisory function; instead it is entrusted to a four-member management board. A part of the supervisory board's responsibilities is handled by the shareholder meeting and the remaining functions are performed by the president and vice president of the management board. Their role mainly focuses on strategy and

Internal structure of the GEN-I balance group



development. Most of the executive management responsibilities are assigned to the two members of the management board in charge of trading and sales. The member of the management board for trading is also manager of the subsidiaries whose primary activity is trading.

This comprehensive and centralized management model in which supervisory and management functions are intertwined ensures efficiency, connectedness, and responsiveness at all levels of the company. It is difficult to classify GEN-I's organization as belonging to any of the traditional organizational structures because it is a mixture of functional, process-oriented, and project-oriented organization models. The company's traditional vertical structure is complemented by a project-matrix organization. Its fast growth and focus on providing quality services encourage the development of the existing organizational model, especially at horizontal levels, where organizational solutions support the efficient management of complex internal processes, ensure the supervision of such processes, and improve their quality.

Efficient management of operations is an important factor in the Group's rapid growth, which can also be attributed to targeted human-resource management and hiring of carefully selected individuals.

GEN-I, D.O.O.'S MANAGEMENT

The management's current five-year term began in 2006. All members of the management board are experts in the field of energy.

ROBERT GOLOB, PhD,
president of GEN-I, d.o.o.'s management board, also president of the management board of Istrabenz gorenje, d.o.o.

Robert Golob completed his undergraduate education at the Faculty of Electrical Engineering of the University of Ljubljana in 1989, his master's degree three years later, and his doctoral education in 1994. After receiving his doctoral degree, he was awarded a Fulbright Grant for a visiting position at the Georgia Institute of Technology in Atlanta. In addition to holding leading positions in the business sector, he is also an associate professor at the Faculty of Elec-

trical Engineering of the University of Ljubljana. In 1998, Golob was appointed head of a negotiation team working on the EU's energy policy. In 1999 and 2002, he was state secretary for energy matters, first at the Ministry of the Economy and then at the Ministry of the Environment and Spatial Planning. During this time he helped draft three key acts on energy that laid the groundwork for the deregulation of Slovenia's energy market.

Golob's areas of professional expertise include: developing electricity systems, restructuring the electricity industry, electricity markets, and electricity strategy. He taught two subjects at the Faculty of Electrical Engineering of the University of Ljubljana: Energy Converters and Electric Power Plants, and the Electricity Market. He was the founder and first director of the Laboratory for Energy Policy and has authored numerous publications and papers on markets, optimization of energy sources, and electricity system planning. He has managed several basic research and industry-applicable projects for the Slovene energy sector.

In November 2002, Golob founded Istrabenz energetske sistemi and became its general manager. The company develops innovative energy solutions in renewable energy sources, efficient use of energy, and trading with energy products. Since 2006, when Istrabenz energetske sistemi was restructured and transformed into the Istrabenz Gorenje Group, electricity trading has been conducted by GEN-I, trgovanje in prodajo električne energije, where Golob is president of the management board.

MARTIN NOVŠAK,
vice president of GEN-I, d.o.o.'s management board, also general manager of shareholder GEN energija, d.o.o.

Martin Novšak, a long-time leading professional at the Krško Nuclear Power Plant and general manager of GEN energija, completed his undergraduate studies in 1982 at the Technical Faculty of the University of Maribor with a major in electrical engineering and industrial electronics. Since obtaining his degree, he has been involved in numerous educational and training activities with a focus on management, teamwork, communications, personal growth, and project management. In 1992 he completed an MBA program at the Executive Management Development Center in Brdo.

Novšak's career in the real energy sector in Slovenia started immediately after the completion of his studies in 1982, when he was employed by the Krško Nuclear Power Plant. The positions he held at the plant included reactor operator, main operator, shift engineer, and head of production. He was in charge of organizing engineering activities at the Krško Nuclear Power Plant and served as head of the engineering department from 1992 onwards. In close collaboration with his colleagues, he completed several projects that were important for the plant's future operations, including its modernization, replacement of critical equipment, the creation of a consistent company image, and a number of other improvements, modifications, and organizational upgrades. His work has contributed greatly to the safe operation of the Krško Nuclear Power Plant.

In July 2005, Novšak accepted a five-year term as general manager of GEN energija, d.o.o. In 2006, he also started his five-year term as vice president of the management board of GEN-I, trgovanje in prodaja električne energije.

IGOR KOPRIVNIKAR, PhD,

member of GEN-I, d.o.o.'s management board responsible for trading and general manager of GEN-I's subsidiaries abroad

Igor Koprivnikar graduated from the Faculty of Natural Sciences of the Technical University of Graz, Austria, and holds a doctorate in nuclear physics from the Institute for Theoretical Physics of the Technical University of Graz. From 2002 to 2004, he worked as head of development at the Austrian Energy Exchange EXAA was responsible for the business development.

Koprivnikar started working for Istrabenz-Gorenje, d.o.o., which was later restructured, as soon as it was founded in 2004. He first held the position of executive manager and later became a member of the company's management board. His work contributed significantly to the company's growth. He laid the foundations of a business model for international and cross-border electricity trading, which, after the restructuring of the company in 2006 and the arrival of shareholder GEN energija, is still used today across the GEN-I Group. In 2004 and 2005, he was also a member of the management board at Austrian Power Vertriebs GmbH in Vienna.

As member of GEN-I's management board for trading, Koprivnikar is responsible for the company's expansion to foreign markets, the setting up of business infrastructure necessary for trading electricity in domestic and foreign markets, and the implementation of business strategies in the electricity-trading segment. His responsibilities also include development and operations management at GEN-I's trading-oriented organizational unit in Ljubljana and the company's subsidiaries.

DEJAN PARAVAN, PhD,

member of GEN-I, d.o.o.'s management board responsible for electricity sales

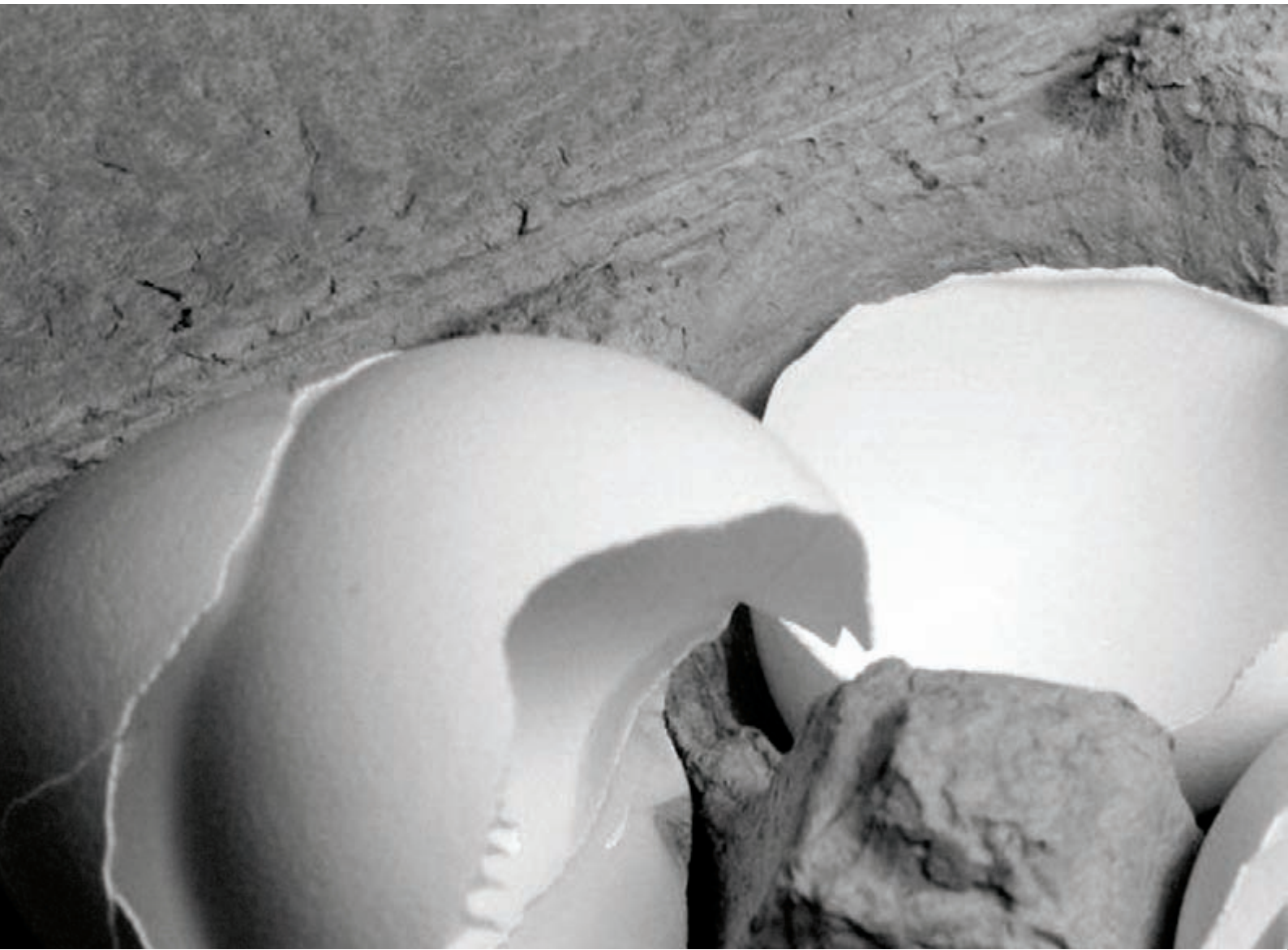
Dejan Paravan started his career in 1999 as a researcher at the Faculty of Electrical Engineering at the University of Ljubljana, where he earned his doctoral degree with a dissertation on risk management in the electricity market in 2004. During his studies, he gave several lectures as a visiting professor at the Siemens Research Institute in Erlangen (Germany) and Iowa State University (US). He also participated in applied projects carried out by the Laboratory for Energy Policy at the Faculty of Electrical Engineering of the University of Ljubljana.

After receiving his doctoral degree, Paravan was employed by Istrabenz energetska sistem, d.o.o. in Nova Gorica, where he performed functions at various companies of the Group, whose main activity was selling electricity to end-customers. He served as the general manager of IG Prodaja električne energije, d.o.o. from its incorporation onwards. In this position, he set up and developed the infrastructure necessary for selling electricity to end-customers in Slovenia. He has also served as a member of the management board at Austrian Power Vertriebs GmbH in Vienna and the manager of Istrabenz-Gorenje, d.o.o.

When GEN-I was transformed in 2006, Paravan was appointed member of the management board responsible for electricity sales, purchase of electricity from qualified producers, and development and operations management of GEN-I's organizational unit in Nova Gorica.

Paravan is president of the C5 Study Committee within the Slovene National CIGRÉ Committee, a member of the international working group of the C5 Study Committee at CIGRÉ, and a member of the management board of the Slovenski E-forum organization.

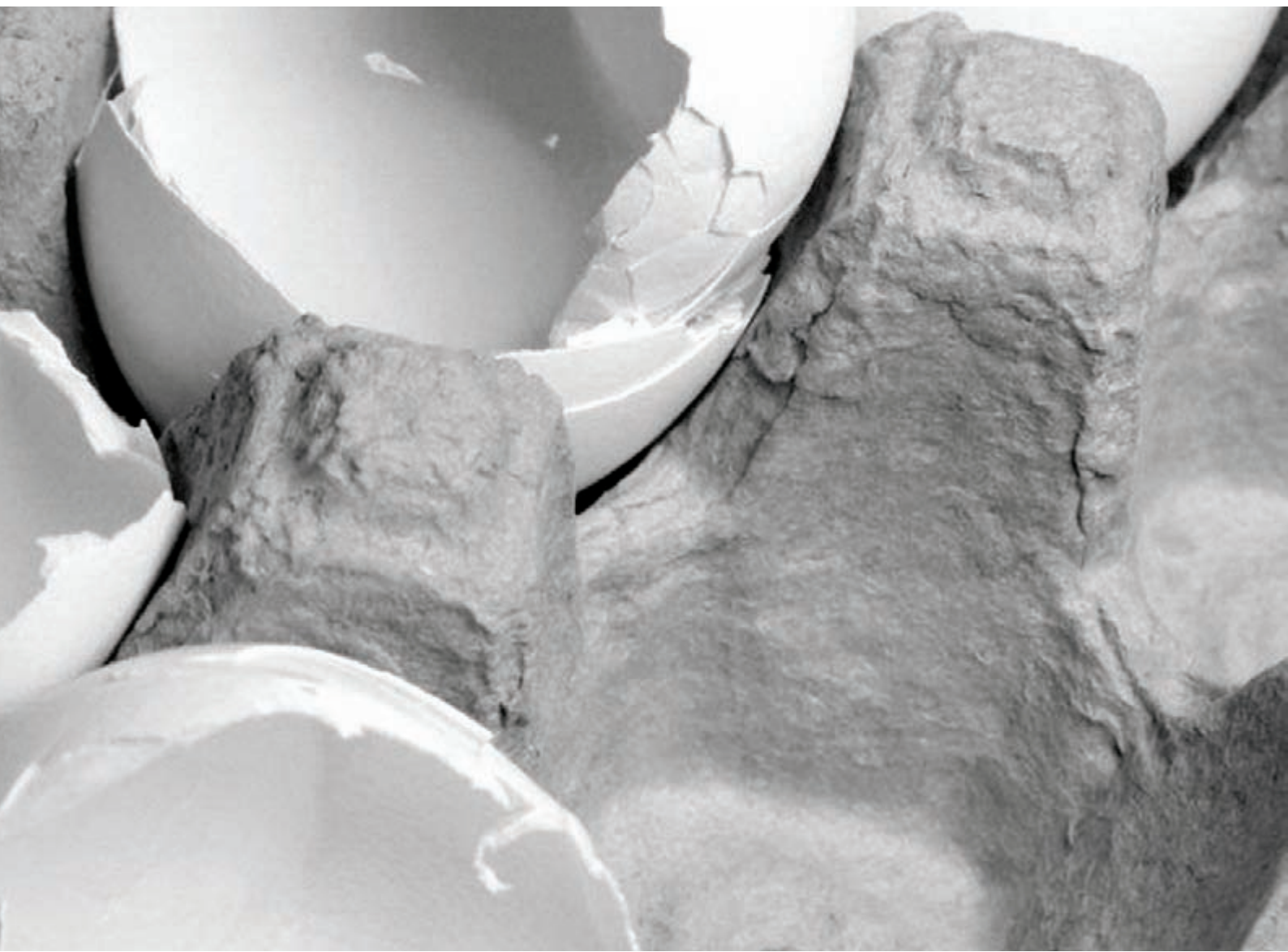
There is no energy without fluctuation.







More stable amplitudes are guaranteed by appropriate insurance.





Robert Golob, PhD
President of the Management Board

WELL PREPARED FOR VOLATILITY AND RISKS

Dear Friends and Partners,

In the past year, all of us that purchase, trade, or sell electricity were very directly confronted with the “volatility” phenomenon, which caused intense price fluctuations. Many old business paradigms in our sector were shattered. Whereas in the past electricity prices rose constantly at a more or less steady pace, the middle of 2008 saw declining prices and a period of sharp price fluctuations. Until then, those that purchased electricity earlier acquired it at a lower price, but in the fall those that had waited and taken their time to decide were rewarded.

On its path across the market various forms of risks are the inseparable companions of volatility: quantity risks, currency risks, credit and operational risks, risks of unavailability of cross-border capacities, and price risks. In order to manage these, a company must have the necessary information and analyses on which to base customer advice, strong and diverse trading instruments, and a stable international network and trading infrastructure. These cannot be developed overnight. It became evident, also in GEN-I's example, that what matters during times of economic turmoil is what a company planned and realized before the crisis began.

In 2008, GEN-I further strengthened its position as the fastest-growing company in the electricity sales and trading segment in Slovenia. All of the company's performance indicators suggest that it was extremely well prepared for the challenges of 2008. Electricity sales including financial instruments sold in 2008 doubled in 2008 compared to 2007 and almost tripled compared to 2006, with sales quantities rising from 1.9 TWh in 2006 to 5.4 TWh last year. The sharp increase in sales volumes cannot be attributed to the successful “pursuit of market opportunities”. In this industry, a company without highly skilled employees, know-how, network of subsidiaries, and all the necessary permits and licenses does not even approach market opportunities. Rather, it is the result of a strategically planned and tactically well-managed process that was made possible by the dedicated, responsible, and highly educated team of employees at GEN-I Ljubljana, Nova Gorica, Krško, and abroad – from Budapest and Belgrade all the way to Tirana.

The GEN-I Group exceeded expectations in 2008, generating EUR 378 million in sales revenues, or 146% more than in the previous year. In addition to extremely positive developments in international markets, where the Group generated half of its profits, GEN-I recorded excellent



Martin Novšak,
Vice President of the Management Board

results in its most important market: the Slovene electricity market. The largest market share increase was noted in the large industrial consumer segment with annual consumption exceeding 10 GWh. The characteristics of this segment, in which electricity represents a major annual cost, include greater consumer awareness and an inclination to look for new market opportunities. It is therefore not surprising that GEN-I climbed to the third place among suppliers to large electricity consumers in Slovenia. The company also increased its market share in the consumer segment with a large number of metering points. The number of metering points included in the balance group rose from 1,700 in 2007 to 4,200 in 2008.

At the beginning of 2008, GEN-I, d.o.o. also set up a 24-hour response service in order to coordinate daily positions within the GEN-I balance group.

GEN-I, d.o.o. continued to supply alternative electricity in times of planned and unplanned production unit outages in 2008. When production was stopped at the Krško Nuclear Power Plant, the country's largest energy plant, in June 2008, there were no disruptions to electricity supply because GEN-I provided substitute energy through additional purchases from foreign producers. With this combination of alternative electricity sources, the company was able to optimize costs.

In the past year, the GEN-I Group sponsored Slovenia's top athlete, Primož Kozmus, helping him win the Olympic gold medal, gradually developed its Energy-Saving School project in which schools are rewarded and encouraged to raise children's awareness of efficient energy use, and ensured the professional development of its employees. A survey on the company's internal climate was conducted and various measures were taken to improve it. The company also analyzed its business partners in a survey in order to adjust its product selection and to better understand the needs of its customers. A special business event for GEN-I's key partners was also organized last year and is becoming a traditional annual occasion for select partners with whom GEN-I has formed strong and sincere long-term partnerships.

A glance at the future of the GEN-I Group and the environments on which it relies for its success, reveals a number of opportunities and pitfalls. One of the greatest dangers for the Group are the effects of the economic downturn on the economies in which it operates, which will result in extended payment periods and customers' inability to pay for the electricity already supplied to them. But opportunities too are a byproduct of the economic turmoil, however contradictory this may seem. The strength of the company's finances, infrastructure, and other

aspects of its operations resulting from its past performance will have to withstand the pressures of 2009. The companies that give in to these pressures will drop out, leaving their market shares to others.

Over the past year, GEN-I has once again proven that it is in excellent condition and will continue to make a significant impact on the market in the years to come.

Yours sincerely,

Robert Golob, PhD
President of the Management Board

Martin Novšak
Vice President of the Management Board



Igor Koprivnikar, PhD
Member of the Management Board
Responsible for Trading

AGILITY IN AN INTERNATIONAL ENVIRONMENT

It has been another very successful year for GEN-I's electricity-trading segment. The steady growth of trading activities can be attributed to the company's good functional, process-oriented, and project-oriented organization, and a well-coordinated team of experienced professionals. In the European electricity market, 2008 was a year of sudden price fluctuations. After rising more than 30% during the first months, prices plummeted to almost half of their initial value at the end of the year. Despite such changed circumstances, the growth of trading volumes in the GEN-I Group and the total quantities of electricity sold (5 TWh) exceeded all expectations. This was possible because of the Group's consistent use of its risk-management system based on a combination of dynamic purchase and sale activities aimed at protecting its portfolio, as well as a wide range of trading instruments, cross-border transfer capacities, and financial products.

By incorporating subsidiaries in Albania, Greece, Macedonia, and Bosnia-Herzegovina, we managed to reinforce our already extensive business infrastructure and complete our presence in 15 different markets ranging from Germany, Austria, and Italy in the west to Greece and Albania in the east.

We doubled the number of international tenders in which we participa-

ted and significantly increased the number of transactions involving electricity, cross-border transfer capacities, and financial instruments. The intensification of trading activities in our established Croatian, Hungarian, and Serbian subsidiaries contributed to even better performance of the Group.

By doubling the quantity of electricity sold directly to end-customers and distribution companies in Slovenia, and because of our trading activities in the region and the liquid western markets, we were able to considerably strengthen our role in the Slovene wholesale market. The increased input of electricity has secured us an important share in the supply of electricity to the domestic market and established our position as a net importer of electricity into Slovenia.

Our company may not be the biggest or the strongest player on the market, but this is also our advantage: we are always alert and ready to seize opportunities and attain our growth objectives. The future of trading lies in the hands of extremely agile, bold, and inventive individuals that know how to manage risks. To us, 2009 is a new opportunity!

Igor Koprivnikar, PhD
Member of the Management Board
Responsible for Trading



Dejan Paravan, PhD
Member of the Management Board
Responsible for Electricity Sales

PARTNERS IN PROVIDING COMPREHENSIVE SUPPLY TO SLOVENIA

In 2008, GEN-I more than doubled its electricity sales volumes and the number of customers and metering points in Slovenia. The most important factors in this winning formula included an in-depth understanding of the Slovene electricity market, the commitment shown by our employees, synergies resulting from close collaboration with the trading segment, and the company's responsiveness. The increased quantities are a result of long-term partnerships formed with large customers and the company's successful participation in public tenders.

In 2008, GEN-I's electricity sales to Slovene customers crossed the magic line of 1 TWh for the first time. With this quantity, the company gained the second-largest market share in the segment of large business customers connected to the distribution network.

Together with quantities sold indirectly to other balance groups and those sold to electricity distribution companies, the total quantity of electricity GEN-I sold to Slovene customers in 2008 amounted to 2.5 TWh. This makes GEN-I an indispensable partner for electricity supply to the Slovene market.

Partnerships are truly the key to success for both GEN-I, d.o.o. and the GEN-I Group. We are committed to meeting our customers' needs, especially when it comes to managing the costs of electricity purchases. With knowledge and flexibility, partnerships and extensive experience, and most importantly with the most advanced know-how acquired in international markets, GEN-I is able to create opportunities and secure benefits for its customers. One of the ways in which GEN-I demonstrates its commitment to long-term partnerships is by sharing knowledge. Examples of this include the event that GEN-I organized for its partners in 2008 for the first

time and the support services the company develops for its business partners, helping them make better decisions. In 2008, GEN-I developed the Terminal application, which enables online users to access all relevant electricity-related information. This application is the only product of its kind in Slovenia.

The development of new products and services is also important for maintaining the largest market share the company holds in the purchase of electricity from producers using renewable sources and high-efficiency cogeneration plants. Products and services that enable customers to manage risks and purchasing costs, the lowest electricity prices offered to members of the Chamber of Craft of Slovenia, and trial supply of electricity to households are all good starting points for expanding GEN-I's share to other market segments in the future.

Dejan Paravan, PhD
Member of the Management Board
Responsible for Electricity Sales

11.2

IMPORTANT RESULTS IN 2008

THE MARKET ENVIRONMENT IN 2008 FROM THE LARGEST INCREASE TO THE BIGGEST FALL IN HISTOR

THE MOST IMPORTANT ADVANTAGES OF THE GEN-I GROUP ARE ITS RESPONSIVENESS AND ABILITY TO QUICKLY ADAPT TO CHANGES IN ITS ENVIRONMENT. THESE ADVANTAGES WERE CRUCIAL FOR THE GROUP'S GOOD PERFORMANCE IN 2008, WHICH TURNED OUT TO BE ONE OF THE MOST TURBULENT YEARS IN THE HISTORY OF ENERGY MARKETS.

The crisis in the financial sector spread to global energy markets and caused intense fluctuations of primary fuel prices. The GEN-I Group used these times of volatile prices to its advantage with a strategically designed policy and a proven risk-management model.

LOWER FUEL PRICES

During the first six months of 2008, the growth index of primary fuel prices on the global market showed no signs of trouble caused by the subprime mortgage crisis in the US. Fuel prices were rising sharply, following the upward trend of "black gold." The price of the IPE North Sea Brent crude traded on organized markets followed a steep climb until the summer. At the beginning of July, it peaked at USD 146 per barrel.

Because oil prices are the most widely accepted and important indicator of energy-market conditions, they affected the price of other primary fuels, such as coal and natural gas. The strong positive correlation between the prices of primary fuels, which showed only upward trends during the first six months, had an impact on the electricity market as well. At the liquid German market, which has a strong influence on the Slovene electricity market, the forward price of electricity for deliveries in 2009 reached its peak at the beginning of July. The price stopped at a maximum of EUR 90/MWh, which is 47% more than what the same forward product cost at the beginning of 2008.



Changes in the price of IPE North Sea Brent crude in 2008



Purchasing costs of emission certificates (CO₂ permits) from 2009 to 2011



Changes in the price of forward electricity products on the European Energy Exchange (EEX) for deliveries from 2009 to 2011

The escalating crisis in the financial sector gradually spread into the real economy, where companies faced cost-saving measures and declining consumer-goods consumption. In the second half of the year, all fuel prices started to decline, dragging down the prices of forward electricity products. This can be seen in the graph depicting the changes in forward electricity prices on the European Energy Exchange (EEX) for deliveries from 2009 to 2011.

REDUCED ENERGY CONSUMPTION

The first signs of recession and its gradual worsening had a negative impact on spending and consequently on energy consumption as well. The declining demand was reflected in excess stock on the supply side, causing further drops in all fuel prices. The decrease in electricity consumption in the last period of 2008 pushed the prices even lower. At the end of 2008, prices were at their 2005 level, or 37% below levels recorded in July 2008.

Reduced demand for emission certificates

The price of electricity also depends on the purchasing costs of emission certificates (CO₂ permits) which are transferred to the final electricity price using a weighted factor. Recession fears and lower electricity-consumption forecasts, which resulted

Primary fuel prices and electricity prices are expected to rise again as soon as positive economic growth is recorded. Only then can we expect electricity prices to return to the levels recorded in the first half of 2008.

in reduced electricity production, also caused a decline in demand for CO₂ certificates, leading to further price reductions. The spiral of falling prices triggered by the complex correlation between fuel prices, emission certificates, and expected energy consumption spun out of control during the next period.

The effect of global conditions on SEE markets

The effects of global conditions associated with the uncertainty in financial and energy markets were also felt in the regional markets in which the GEN-I Group operates. The Group's most important market remains the Slovene electricity market, which is heavily dependent on developments in the neighboring systems. Market price levels in Slovenia are mainly determined by the developed markets of Germany, Austria, and Italy, and the market situation in SEE and Hungary.

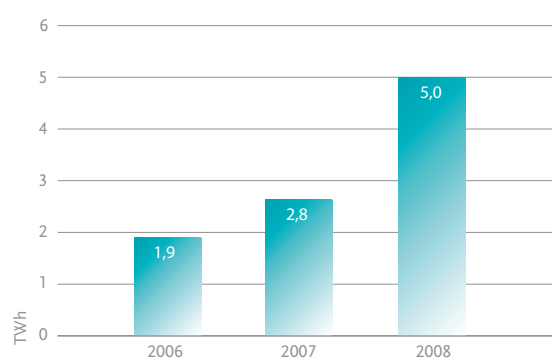
The global factors that had the strongest influence on regional electricity prices were a product of the financial crisis, recession fears, and the subsequent lower demand for energy. Industrial companies in the SEE region, whose wasteful energy use is characteristic of developing countries, lowered their electricity consumption considerably during the recession. This declining consumption led to lower demand for cross-border transfer capacities at auctions, bringing SEE prices almost to the level of prices in Central European markets.

THE CHALLENGE OF VOLATILE PRICES

Fears that the recession in the real economy will persist and that spending will drop, resulting in lower electricity consumption, have created great uncertainty and lowered expectations on global energy markets. This is reflected in the high volatility of prices on all markets.

Price volatility means greater risks for all market participants, but it is also a challenge for those with appropriate professional, strategic, and tactical skills. For the GEN-I Group, this uncertainty poses a challenge and an opportunity at the same time because the Group has built its past success on a high level of professionalism combined with controlled daring – something that is desperately needed in difficult financial times.

SALES:
ALMOST DOUBLED WITH 5 TWH OF
ELECTRICITY SOLD



Quantities of electricity sold by the GEN-I Group in 2008 and the two previous years

IN 2008, THE GEN-I GROUP SOLD A TOTAL OF 5 TWH OF ELECTRICITY ACROSS THE 15 MARKETS IN WHICH IT OPERATES, AN INCREASE OF 86% COMPARED TO THE PREVIOUS YEAR.

In 2008, the Group performed its activities in 15 markets and negotiated contracts in a total amount of 5 TWh of electricity. Slovene producers and partners accounted for 2.2 TWh of the electricity purchased, while the remaining quantities (2.8 TWh) were mainly obtained in German, Austrian, Hungarian, Bulgarian, and Romanian markets. The entire quantity of electricity produced by Slovene produc-

ers remained in the domestic market, where the company sold 2.5 TWh of electricity in 2008, becoming a net electricity importer.

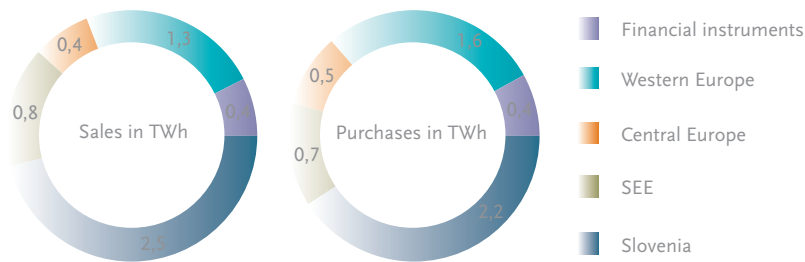
This remarkable business growth is particularly evident in the Hungarian subsidiary, which operates in the Hungarian wholesale electricity market. In 2008, its first full year of operations, GEN-I Budapest sold just under 260 GWh of electricity, securing another 800 GWh for electricity deliveries in 2009 through contracts negotiated during last year's trading activities.

With its wholesale trading activities, the GEN-I Group was actively involved in almost all former Yugoslav countries, as well as Albania and Greece. The Group's fastest-growing subsidiary was GEN-I, d.o.o., Beograd, which sold almost 800 GWh of electricity in 2008, gaining a 15% market share in the Group's total sales volumes. Serbia's important geographical and strategic position in the regional electricity market with many neighboring countries surrounding its national market have helped GEN-I, d.o.o., Beograd become a key partner of the GEN-I Group, realizing numerous cross-border sales and purchases of electricity and cross-border capacities for the entire SEE region. GEN-I, d.o.o., Beograd was particularly successful in selling electricity to Albania and Montenegro. Another strategically important region for electricity sales was the Macedonian market, where the GEN-I Group has been present since 2005. Since the middle of 2008, the Group has operated in the country's domestic market through its subsidiary GEN-I DOOEL Skopje. The Macedonian

Table: Quantities of electricity sold by the GEN-I Group in 2008 and previous years

Year	2006	2007	2008	2008/2007 index
Sales by the GEN-I Group (TWh)	1.9	2.7	5.0	1.86
Sales by GEN-I, d.o.o. (TWh)	1.9	2.6	4.4	1.66
Sales in Slovenia (TWh)	1.2	1.1	2.5	2.19
Sales abroad (TWh)	0.8	1.5	2.5	1.60
Sales including financial instruments (TWh)	1.9	2.8	5.4	1.96

Presence of the GEN-I Group in Europe



electricity market is one of the most important markets for extending operations of the GEN-I Group to the local wholesale market and its entry into the Greek electricity market.

As a result of the increasing quantities of electricity sold to end-customers, the inclusion of production units of the shareholder GEN energija, d.o.o. into the GEN-I balance group, and the increasing volume and complexity of trading; the company's portfolio has become increasingly fragmented. This has caused an increase in the amount of activities associated with short-term portfolio optimization and a sharp rise in the number of weekly, daily, and intraday transactions necessary to manage surpluses and shortages of electricity arising from open positions based on short-term and long-term agreements. Daily trading volumes on electricity exchanges in which GEN-I participates, increased accordingly. The most notable increase was recorded on the German EEX exchange (European Energy Exchange), where the company sold over 800 GWh of electricity on a daily basis, or 118% more than in the previous year.

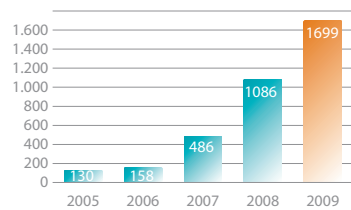
Sales of financial products on the German EEX and the Italian GME (Gestore del Mercato Elettrico SpA) electricity exchanges, which are included in the company's portfolio in line with its risk-management strategies, also increased significantly. In 2008, GEN-I's electricity sales on the two exchanges were up 0.4 TWh compared to the year before. At the same time, the company sold 1.8 TWh in forward financial products for all future short- and long-term trading periods (2009, 2010, and 2011), which is five times more than in the previous year.

**SALES TO END-CUSTOMERS:
THIRD-LARGEST SUPPLIER BY DOUBLING
SALES**

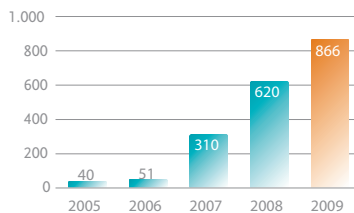
GEN-I, D.O.O.'S ELECTRICITY SALES TO END-CUSTOMERS IN SLOVENIA SURPASSED INITIAL GOALS. BY SELLING 1.1 TWH OF ELECTRICITY IN 2008, THE COMPANY EXCEEDED ITS SALES PLANS FOR SLOVENIA BY 0.2 TWH OR 20%.

Compared to 2007, electricity sales to end-customers were up 125%. The company also more than doubled the number of its business partners with over 600 partners at the end of 2008, while the number of metering points it supplied electricity to, rose to 4,200.

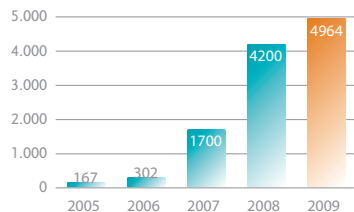
Supply to customers in Slovenia



Number of customers



Number of metering points



Increase in electricity sales, number of business partners, and metering points over the past years and estimates for 2009

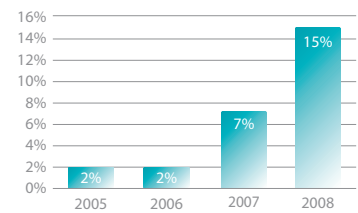
**THIRD-LARGEST MARKET SHARE IN THE
BUSINESS CUSTOMER SEGMENT**

Customer segments that recorded the biggest increase included large business customers with annual consumptions exceeding 10 GWh and customers with a high number of metering points. GEN-I already holds the third-largest market share in these segments in Slovenia and will continue to focus on them in the future.

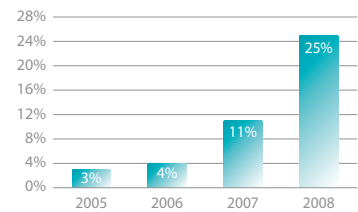
GEN-I's success in attracting large end-customers is a result of its expertise and trading infrastructure, which enables customers to optimize their electricity purchases, choose customized products with the desired level of risk, and enjoy the benefits of individual portfolio management.

The turbulent market conditions in the electricity market in 2008 encouraged the development of new products and services that enable better purchasing-risk management and a clearer insight into electrici-

Market share (business customers connected to the distribution network)



Market share (business customers with consumption exceeding 2 GWh)



Market shares in the sale of electricity to Slovene customers by segments over the past years and estimates for 2009

ty costs. These new products are primarily intended for bigger and more complex electricity consumers, which are prevalent in GEN-I's portfolio. In collaboration with its partners, GEN-I started a discussion on the effects of the economic turmoil on consumption and, in the case of excess electricity purchases, suggested solutions that included covering sales and adjustments of the purchase portfolio.

NEW PARTNERS

In 2008, GEN-I, trgovanje in prodaja električne energije, d.o.o. acquired a number of important new partners, including some of the largest electricity consumers in Slovenia, such as Talum, Vipap Videm Krško, and Julon. Public contracts also contributed significantly to the increased number of customers, metering points, and electricity quantities sold in 2008, with GEN-I being selected as the best bidder in 23 public tenders. The company started supplying electricity to some of the most demanding customers in Slovenia, such as the Slovene railway company Slovenske železnice with a dense network of metering points, and over 140 public institutions governed by the Ministry of Public Administration with more than 1,700 metering points.

For the third consecutive year, GEN-I offered small and medium-sized businesses the best electricity-supply conditions in cooperation with the Chamber of Craft of Slovenia. The number of the company's business partners in 2008 rose by 77% compared with the year before.

As part of its trial supply project, GEN-I provided several households with electricity in 2008. The experience gathered during these trial supplies showed that in 2008 general conditions were still not sufficient to allow mass supply of electricity to this complex market. The company did however start preparations that would enable households to choose GEN-I as their electricity supplier in the future.

In 2008, GEN-I already negotiated contracts for deliveries in 2009. The share of end-customers with whom the company had signed contracts for 2009 increased significantly. Through these contracts, GEN-I already sold 1,700 GWh of electricity for 2009, remaining the fastest-growing company in the country in terms of electricity sales to end-customers.

THE RIGHT INFORMATION FOR CUSTOMERS

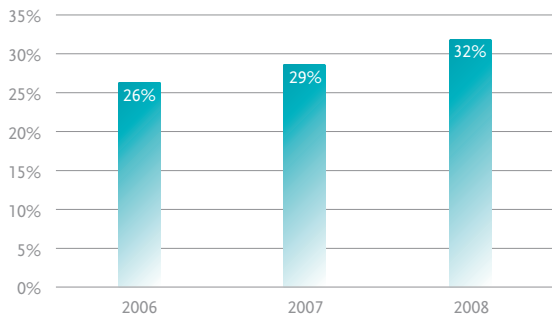
When it comes to selling electricity to end-customers, GEN-I relies on strong partnerships. This commitment was evident at the first meeting the company organized for its partners at the beginning of 2008. The event enabled the company to better understand the needs and expectations of its business partners and offered customers a comprehensive set of information, helping them make better decisions when it came to electricity purchases. GEN-I's leading professionals gave a presentation with detailed insight into the current market situation. GEN-I is the first and so far only electricity supplier in Slovenia to organize such an event, which was welcomed by customers as a very valuable form of business cooperation.

Since the beginning of 2008, informed business decisions have been made easier with the Terminal web application developed especially for GEN-I's partners. This unique tool provides complete control over consumption costs, customized reporting on past and expected future consumption, an overview of the invoices issued and receivables, and access to up-to-date information about market conditions. Terminal is a fast and innovative communication channel connecting customers with GEN-I. During its first year of operation, the application was available to customers free of charge.

PURCHASE:
OPTIMAL PRICES FOR PRODUCERS

GEN-I PURCHASES ELECTRICITY FROM SMALLER POWER PLANTS AND VARIOUS QUALIFIED PRODUCERS AS WELL AS LARGE PRODUCERS IN SLOVENIA AND ABROAD. THE COMPANY OFFERS PRODUCERS A NUMBER OF ARRANGEMENTS WITH PURCHASING PROCEDURES AND CONDITIONS TAILORED TO THEIR NEEDS.

In 2008, GEN-I, d.o.o. purchased a total of 2 TWh of electricity from producers in Slovenia. Domestic producers working in close collaboration with shareholder GEN energija, d.o.o. which joined the GEN-I balance group in 2008, are particularly important to the company.

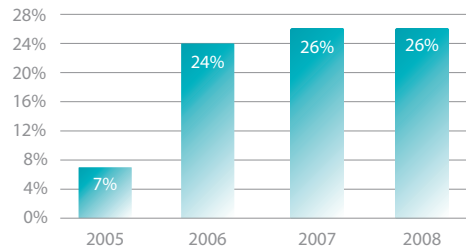


Share of electricity purchased from GEN energija in total purchases by the GEN-I Group

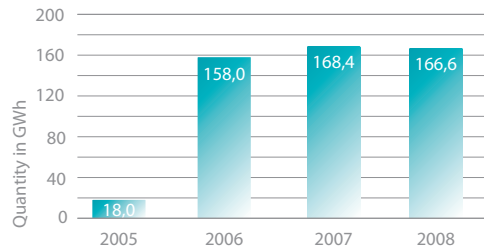
PURCHASE OF ELECTRICITY FROM PRODUCERS IN THE GEN ENERGIJA SUBGROUP

GEN-I, d.o.o. purchased 1.6 TWh of electricity from production sources cooperating with shareholder GEN energija, d.o.o. This represents a 32% share in the total quantities purchased within the Group's portfolio. A majority of the volumes were purchased based on long-term contracts, while the remaining quantities were acquired as part of daily and intra-day trading. Some of the quantities were sold to shareholder GEN energija, d.o.o., mostly to cover the schedules of actual production during an outage of the Krško Nuclear Power Plant and the low-water flow rates on the Sava River. The total purchases of electricity from GEN energija, d.o.o. doubled compared to the previous year, their share in the purchase portfolio remaining almost unchanged.

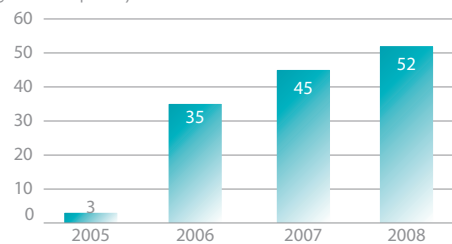
Market share in the purchase of electricity from qualified producers (renewable sources and cogeneration plants)



Market share in the purchase of electricity from qualified producers (renewable sources and cogeneration plants)



Number of qualified producers (renewable sources and cogeneration plants)



PURCHASE OF ELECTRICITY FROM RENEWABLE SOURCES AND COGENERATION PLANTS

In 2008, GEN-I purchased 361 GWh of its electricity from Slovene producers that generate power from renewable energy sources and those that generate both electricity and heat at cogeneration plants. The largest among the latter is the Termoelektrarna Toplarna Ljubljana cogeneration plant, which produced 194 GWh of electricity for GEN-I in 2008, while the remaining 167 GWh were purchased from qualified producers. GEN-I's portfolio in 2008 included several high-efficiency cogeneration plants, 35 small hydroelectric power stations, seven solar plants, and various biogas plants.

In 2008, GEN-I remained the market leader in the share of electricity purchased from qualified producers using renewable sources and cogeneration plants. The unforeseen outage at the Šiška heating and power station resulted in significantly lower electricity purchases from these sources compared to the year before. Had it not been for this outage, the purchase quantities would have increased in line with the rising number of production units from which GEN-I, d.o.o. purchased electricity in 2008.

OPTIMIZED PURCHASING PRICES

GEN-I's flexibility and detailed insight into market conditions based on its own 24/7 trading floor enables producers to better manage price and quantity risks using customized products. Thanks to their partnership with GEN-I, producers are able to take advantage of market opportunities and optimize the price at which they purchase electricity.

In 2008, when fuel prices on global markets fluctuated severely, GEN-I offered its partners products with purchase prices linked to the price of primary production fuels. Producers that chose such products were able to avoid the risks associated with the volatility of fuel prices. The adjustment of purchase prices in line with the changes in primary fuel prices was made possible by GEN-I's extensive infrastructure.

IMPORTING ELECTRICITY FROM ABROAD

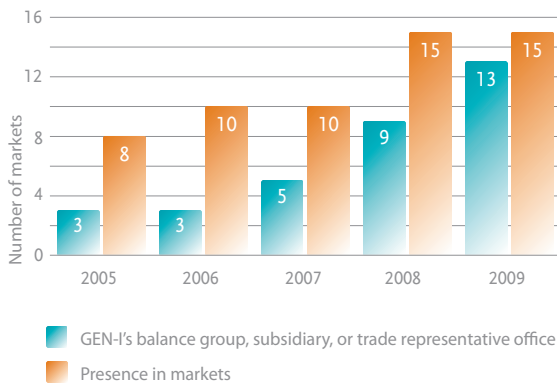
To cover the differences between quantities of electricity sold and purchased in the Slovene market, GEN-I purchased electricity from foreign trading companies and imported it into Slovenia. The lacking quantities necessary to meet the energy needs of the Slovene market were mainly imported from Germany, Austria, Hungary, Bosnia-Herzegovina, Bulgaria, and Romania. In 2008, the company was a net importer with a total of 300 GWh of electricity imported into Slovenia. This quantity covers 12% of all sales to end-customers and electricity distribution companies in the country.

**TRADING:
GEN-I A NET IMPORTER IN SLOVENIA**

GEN-I HAS THE MOST DEVELOPED INFRASTRUCTURE AND THE BEST INTERNATIONAL TRADING DEPARTMENT IN SLOVENIA. THIS DEPARTMENT COORDINATES TRADING ACTIVITIES ACROSS 15 COUNTRIES USING THE COMPANY'S OWN BUSINESS INFRASTRUCTURE. THIS EXTENSIVE NETWORK ENSURES APPROPRIATE PORTFOLIO DIVERSIFICATION IN TERMS OF GEOGRAPHICAL REGIONS AND PRODUCTS, AS WELL AS OPTIMIZATION OF PURCHASING CHANNELS.

Trading activities are aimed at providing reliable, comprehensive, and competitive electricity purchases tailored to the needs of end-customers, and at purchasing electricity from producers under the most favorable conditions. Trading is of vital importance when it comes to ensuring proper and timely response to the quickly changing conditions in the electricity market.

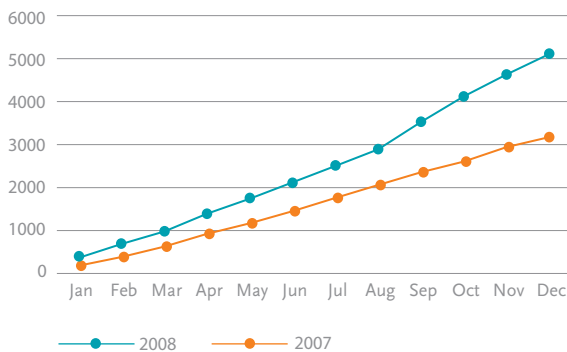
In 2008, the GEN-I Group continued to build its portfolio in a number of markets in Western and SE Europe, maintaining the portfolio's diversification through the appropriate combination of physical and financial trading as well as various maturity periods and types of trading products. It is this diversification coupled with the purchase of long-, medium-, and short-term cross-border transfer capacities that is a prerequisite for the comprehensive management of market risks. In 2008, the GEN-I Group increased the efficiency of its risk-management policies using modern trading instruments and a number of innovative trading strategies.



INCREASED MARKET SHARES IN SEE EUROPE

In the less liquid markets of SE Europe, GEN-I increased its market shares in all markets and in all trading segments in 2008. The subsidiaries in Albania, Greece, Macedonia, and Bosnia-Herzegovina completed the already extensive business infrastructure, ensuring GEN-I's presence in 15 markets. GEN-I doubled the number of international tenders it participated in and increased the number of transactions involving electricity, cross-border transfer capacity rights, and financial instruments. The intensified trading activities in well-established subsidiaries in Croatia, Hungary, and Serbia contributed significantly to the Group's good performance. With the increasing competition and the numerous limitations that apply to cross-border capacity rights, business growth in the eastern markets depended on the Group's dynamic approach, responsiveness, creative tactics, and use of innovative trading instruments.

GEN-I's presence in international electricity markets and existing trading infrastructure



Number of transactions involving electricity products

TRADING ALSO TO SUPPLY ELECTRICITY TO SLOVENIA

By doubling the quantity of electricity sold directly to end-customers and distribution companies in Slovenia, and based on the company's trading activities in the region and the liquid western markets, GEN-I was able to strengthen its role in the Slovene wholesale market considerably. The input of 300 GWh of electricity into the Slovene market secured GEN-I an important share in the supply of electricity to the domestic market and established its position as a net importer of electricity into Slovenia.

PARTICIPATION IN PUBLIC TENDERS IN SEE EUROPE

In 2008, GEN-I gained access to important price information for less liquid and transparent SEE regions by participating in public tenders for the sale and purchase of electricity. Through its subsidiaries, GEN-I participated in 90% of all public tenders in this region. The Group's active involvement contributed to increased competitiveness in SEE markets. Thanks to its price strategy, GEN-I won several public tenders, becoming one of the most important players in SEE electricity markets.

TRADING IN DEVELOPED LIQUID MARKETS

GEN-I used the well-established bilateral trading and brokerage activities in the developed liquid markets of Austria, Germany, and Italy, and a wide selection of cross-border transfer capacity products to ensure end-customers the best competitive prices and to increase the efficiency of risk management for risks associated with purchase and sale activities in Slovenia and the wider region.

Because of price fluctuations in the electricity market, GEN-I used a growing number of derivative financial instruments to manage these risks. In 2008, the company traded financial instruments mainly in the German EEX futures organized market, with the volume of financial transactions amounting to 400 GWh in 2008. GEN-I used derivative financial instruments to manage currency risks in markets where trading is conducted in foreign currencies.

The growing diversification and volumes of GEN-I's portfolio resulted in synergies that, combined with the optimization of transportation routes, improved

the company's operational efficiency.

Because of the increased trading volumes within the GEN-I Group, the number of transactions involving physical electricity products also rose in 2008. Compared with 2007, the number of these transactions was up 61%. The increase was particularly notable in transactions with deliveries to SEE.

The liberalization of electricity markets in SEE caused a gradual increase in the diversity of cross-border transfer capacity products. An increasing number of transactions in this region are being negotiated on a monthly, weekly, and daily basis, with fewer transactions negotiated at an annual level. In 2008, GEN-I increased the number of transactions involving cross-border transfer capacity products by 70% compared to the previous year.

ANALYTICAL SUPPORT FOR TRADING ACTIVITIES

The continuous evaluation of portfolios within the GEN-I Group is based on daily forecasts of future electricity prices for all markets in which the Group operates. An analytical unit within the trading department uses a special system to predict hourly price profiles. In 2008, when price volatility increased significantly, the system was updated and upgraded accordingly.

The forecasts for all 15 markets are daily generated on an hourly basis for all future time periods. The bases for these forecasts are the current prices of forward products and historical hourly profiles. Forecasts improve the quality of decision-making when it comes to electricity trading and purchasing cross-border transfer capacity rights. They are also an invaluable tool for evaluating the Group's portfolio.

When forecasting prices for liquid markets in Germany and Austria, the GEN-I Group has a wide range of historical data and daily price quotes for forward products at its disposal. Forecasting prices for less liquid SEE markets, where such data are not available, requires extensive elementary analyses, helping the company understand which factors have the greatest effect on electricity prices and to what extent. Prices in this region are also subject to fluctuations resulting from hydrologic conditions, which are difficult to foresee and increase regional fragmentation when it comes to electricity prices.

INTERNATIONALIZATION: EXPANSION OF BUSINESS INFRASTRUCTURE AND NEW PARTNERSHIPS

THE EXPANSION OF THE GEN-I GROUP TO FOREIGN MARKETS, ESPECIALLY TO NON-EU COUNTRIES, DEPENDS UPON ITS SUBSIDIARIES, WHICH HAVE THE NECESSARY LICENSES, THE SKILLS NEEDED TO ADAPT TO SPECIFIC LOCAL CONDITIONS, AND SUITABLE TRADING INFRASTRUCTURE.

In 2008, the company set up the necessary infrastructure in the Macedonian market and started supplying electricity to its first end-customers. It also established trading infrastructure in the Albanian market and founded subsidiaries in Bosnia-Herzegovina and Greece. Both subsidiaries are currently obtaining licenses and permits for electricity trading.

To achieve synergies between the various markets and attain better economies of scale, the GEN-I Group continued to expand its business infrastructure, enabling it to engage in cross-border trading and participate in European electricity markets. The Group has also been increasing the number of its business partners in a systematic and strategic manner, doubling this in 2008 compared to the year before. In the wider geographical region ranging from Germany in the north to Italy in the west and Greece in the south, the GEN-I Group cooperated with more than one hundred trading partners. In 2008, the Group also strengthened its presence in the majority of national electricity markets, building strong business relationships and trust among local business partners and transmission grid operators. These new long-term partnerships are based on transparency and are focused on finding the best solutions that meet business partners' needs.

The growing trading portfolio and increased sales volumes are reflected in the variety of products used and the number of borders for which the company regularly acquires cross-border capacity rights in various auctions. In 2008, the GEN-I Group participated in annual, monthly, weekly, and daily auctions for capacity rights on the borders of Austria, Italy, Slovenia, Hungary, Romania, Bulgaria, Croatia, Bosnia-Herzegovina, Montenegro, Serbia, Albania, Macedonia, and Greece.

Its presence in numerous organized daily electricity markets enables the GEN-I Group to optimize portfolios on a daily basis. GEN-I is an independent member of the German, Austrian, Italian, Slovene, and Serbian energy exchanges (EEX, EXAA, IPEX, Borzen/Southpool) and in 2008 participated in the Romanian and Greek exchanges (OPCOM, HTSO) through partners that have the necessary infrastructure for providing brokerage services.

In addition to its Slovene balance group, the GEN-I Group has balance groups set up in Germany, Austria, Italy, Croatia, Bosnia-Herzegovina, Macedonia, Serbia, and Hungary. It also participates actively in a number of brokerage platforms, such as ICAP, TFS, and SPECTRON.

11.3

IMPORTANT BUSINESS EVENTS IN 2008

SUPPLY TO SLOVENIA

- For the first time in company history, GEN-I sold **more than 1 billion kWh of electricity** to Slovene customers.
- The company set a **new record in electricity sales** to end-customers: the portfolio of contracts signed for deliveries in 2009 in Slovenia reached 1,700 GWh of electricity.
- The share of electricity purchased from GEN energija **increased** from 765 GWh in 2007 to **1,582 GWh in 2008**.
- Contracts for the **purchase of electricity from renewable sources and small cogeneration plants** amounted to 167 GWh in 2008; a purchase contract for electricity produced by the large Ljubljana cogeneration plant (TE-TOL) secured GEN-I another 194 GWh of electricity.
- GEN-I won a public tender for the **supply of electricity to institutions within the Ministry of Public Administration**; this is one of the most demanding consumer groups in the country with over 140 different institutions and 1,700 metering points across Slovenia.
- In June 2008, GEN-I was **selected as the best bidder** and awarded a contract to supply electricity to the Slovene railway company **Slovenske železnice**, increasing the number of its metering points by 550.
- By the end of 2008, the **total number of metering points reached 4,200**.
- **Agreements with many important partners**, such as Gorenje, Spar Slovenija, Žito, Droga Kolinska, and the Ljubljana University Medical Center, **were renewed**; the company gained several new customers, among these were some of the largest companies in Slovenia (Vipap Videm Krško, Julon, and the Leykam print company).
- Activities associated with the sale of electricity to members of the Chamber of Craft of Slovenia continued; the **number of contracts negotiated for deliveries in 2009 increased by 25%**.
- GEN-I ensured responsible electricity supply for the Slovene market, securing all the **lacking quantities of electricity for five different distribution companies in 2008** (Elektro Ljubljana, Elektro Maribor, Elektro Celje, Elektro Primorska, and Elektro Gorenjska), almost 1.3 TWh in total.
- The company provided all of the alternative electricity needed during an outage at the Krško Nuclear Power Plant from June 4th to June 9th, 2008.
- The **inclusion of GEN energija into the GEN-I balance group** helped increase the reliability of electricity supply; daily optimization of production within the GEN-I Group was introduced.

PERFORMANCE IN FOREIGN MARKETS

- At the beginning of 2008, a **24-hour response service was set up in order to coordinate daily positions within the GEN-I balance group**; the number of intra-day transactions in 2008 doubled compared to the year before.
- The GEN-I Group **started supplying electricity to the largest end-customers in Macedonia**. In 2008, it supplied 150 GWh of electricity to three end-customers in the industrial consumer segment. In March 2008, the Group's Macedonian subsidiary GEN-I DOOEL was founded. In June, the subsidiary acquired a trading license, becoming fully operational in November. In December, the GEN-I Group signed new contracts for the sale of electricity to end-customers in Macedonia with deliveries in 2009.
- In January 2008, a deed of incorporation for the Group's Albanian subsidiary was signed; the GEN-I Group became an **important supplier of electricity in Albania** by regularly participating in public tenders.
- In February 2008, the first large quantity of **electricity was supplied to Greece**. Deliveries were carried out on two Greek borders.
- In **Bulgaria, GEN-I passed the 100 MW threshold** of base electricity purchased and exported in April

2008; the company purchased its first quantities of electricity directly from Bulgarian producers.

- The **equity** of the Group's fastest-growing subsidiary **GEN-I, d.o.o., Beograd** was increased in 2008.
- In May 2008, the **subsidiary GEN-I, d.o.o., Sarajevo** was founded in **Bosnia-Herzegovina**; once incorporated, the company started setting up its trading infrastructure and adjusting it to the specifics of the local environment.
- **By purchasing electricity abroad, GEN-I provided the necessary alternative electricity** during an outage of the Krško Nuclear Power Plant in June 2008.
- In September 2008, the GEN-I Group won a public tender for the sale of electricity to the state-owned Kosovo company KEK and supplied the **first large electricity quantities to Kosovo** in October.
- A **deed of incorporation for a Greek subsidiary** was signed in October 2008; the company was registered in December.
- In October 2008, the GEN-I Group **overcame the first drastic falls in electricity prices** due to the economic downturn **without major difficulties**, thanks to the consistent use of its improved market-risk management system.
- In November 2008, Croatian regulatory bodies **started officially treating GEN-I Zagreb, d.o.o. as a large company**.
- By the end of 2008, **more than 800 GWh of electricity were sold in Hungary** for the 2009 business year. In November 2008, the subsidiary GEN-I Budapest Kft. won a public tender and signed an annual agreement on electricity deliveries in 2009 with one of the largest Hungarian production companies.
- In December 2008, the GEN-I Group carried out its **5,000th transaction involving physical electricity products**; this represents a 61% increase in the number of transactions compared to the year before.

PARTNERSHIP TIES AND CORPORATE SOCIAL RESPONSIBILITY

- GEN-I developed the **Terminal application** – a powerful web-based tool that enables its customers to access all the information necessary for optimizing electricity-purchase decisions.
- The company organized its **first event for business partners**, informing them about the conditions in the electricity markets and introducing new products and services; the meeting was also an opportunity to find out more about partners' needs and wishes for the future.
- The **Energy-Saving School pilot project** was joined by 41 educational institutions. With this project, GEN-I aims to raise awareness of efficient energy use among students and to encourage school management to reduce electricity consumption.
- The **number of employees** at rapidly growing GEN-I, d.o.o. **reached 47** at the end of 2008, compared to 30 employees at the end of 2007. The number of experts working for GEN-I and its subsidiaries reached 53 by the end of 2008. In terms of employee education, GEN-I is one of the leading companies in Slovenia.

11.4

IMPORTANT EVENTS AFTER THE END OF THE BUSINESS YEAR

NEW RISK-MANAGEMENT PRODUCTS

- In February 2009, GEN-I organized its **second partner event** to discuss the best ways for partners to respond to the economic turmoil. At the meeting, which is becoming a traditional annual event, GEN-I's experts informed business partners about market opportunities for purchasing electricity at a lower price and presented new products and services aimed at managing electricity-purchase risks.

ENTERING THE HOUSEHOLD MARKET

- In March 2009, GEN-I, d.o.o. launched a widespread campaign to enter the household electricity market. During the first three weeks of the campaign, the company already received more than 4,200 applications from households requesting to switch to GEN-I as their new electricity supplier. In May 2009, GEN-I started supplying electricity to **almost 2,000 households**.

ADAPTING TO THE CRISIS

- The GEN-I Group started preparing for the effects of the global economic downturn in 2008, **adjusting its portfolios for the 2009 business year in good time**. Both the Group and the company are facing declining electricity consumption in Slovenia. Lower electricity consumption in the business-customer segment has caused adjustments in the company's business strategy and portfolio.

11.5

DEVELOPMENT STRATEGY AND PLANS FOR 2009

A YEAR OF CHALLENGES: PLANNING INCREASED MARKET SHARES

IN 2009, THE GEN-I GROUP IS PLANNING A 25% GROWTH IN TOTAL SALES QUANTITIES. BECAUSE OF THE DECLINING PRICES OF PRIMARY FUELS AND SUBSEQUENT LOWER ELECTRICITY PRICES, THE GROUP EXPECTS THE INCREASED SALES VOLUMES TO RESULT IN LOWER GROWTH IN SALES REVENUES.

Even in these difficult times of economic turmoil, the GEN-I Group is dedicated to fulfilling its mission. Its agility, flexibility, and cutting-edge knowledge will help the Group take advantage of opportunities in developing electricity markets and reinforce its position and visibility in the region. Changes in the financial markets and goods and raw materials markets will certainly cause further declines in electricity prices. Because of the expected lower demand, more effort will have to be put into maintaining market shares and margins are likely to be lower than in previous periods.

INCREASING SALES TO END-CUSTOMERS IN SLOVENIA

Slovenia is still GEN-I's most important electricity market and the company intends to increase electricity sales to end-customers in this market considerably. This is a particularly ambitious goal because many customers have already signed long-term purchase agreements for deliveries of electricity until the end of 2009. This is why some of the most important activities in this segment will focus on negotiating new long-term contracts with large business customers.

In 2010, GEN-I is set to gain the largest market share in the business-customer segment with customers connected to the distribution network and annual consumptions exceeding 4 GWh. GEN-I also plans to increase its share in the small-business customer segment and the household market, where the company's main competitive advantage is the lowest electricity price offered to end-customers.

A GREATER SHARE OF ELECTRICITY FROM RENEWABLE SOURCES

When it comes to electricity purchases from Slovene producers, GEN-I's partners include producers within the GEN energija Group. In 2009, the company expects to purchase just under 2 TWh of electricity from these producers, which is less than a third of the total electricity purchases planned. GEN-I intends to increase purchases of electricity from renewable sources and small high-efficiency cogeneration plants, maintaining the largest market share in this producer segment in Slovenia.

GEN-I, d.o.o.'s exceptional growth in the past years has resulted in increasing numbers of employees and the introduction of new business processes supported by advanced information solutions. In 2009, the company will pay particular attention to the personal and professional growth of its employees, the optimization of business processes, and operational cost management.

INTENSIFIED TRADING IN EUROPEAN REGIONS

GEN-I will continue to develop its trading infrastructure by setting up subsidiaries abroad. The company's plans for 2009 include the incorporation of a subsidiary in Bucharest and the expansion of its business operations to other SEE countries over the next few years.

GEN-I's trading activities have helped the company strengthen its presence in the markets of central Europe (Austria, Germany, and Hungary), southern Europe (Italy), and most of all SEE (Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Macedonia, Albania, Romania, Greece, and Bulgaria). In 2009, GEN-I will continue to reinforce its position in these markets. The company's plans for 2009 also include entering the Greek and Romanian national markets.

In 2009, the GEN-I Group intends to add purchase of electricity from producers and electricity sales to end-customers to its existing activities in foreign markets.

REVENUE PLANNING BASED ON LONG-TERM AGREEMENTS

GEN-I intends to generate the majority of its revenues from long-term agreements with end-customers and quantity-closed contracts with trading partners with maturity periods of up to one year. The company's trading activities on the daily market help it coordinate contractual obligations to individual business partners and optimize the portfolio of the GEN-I balance group. This market also enables the company and the Group to take advantage of daily market opportunities.

Depending on the availability of cross-border transfer capacity rights, GEN-I plans to balance out its electricity surpluses and shortages for individual hourly periods by trading with business partners in Slovenia and abroad. The company's main focus is on purchasing and selling electricity in SEE, Italy, Austria, and Germany.

11.6

RISK MANAGEMENT

MARKET RISKS

GLOBAL OPERATIONS FOR MINIMIZING PRICE RISKS

THE MARKET AND PRICE RISKS TO WHICH GEN-I IS EXPOSED ARE THE RESULT OF UNCERTAIN PRICES IN THE DOMESTIC AND FOREIGN ELECTRICITY MARKETS. THESE RISKS OCCUR BECAUSE OF FINANCIALLY OPEN POSITIONS IN THE COMPANY'S TRADING PORTFOLIO. INTERREGIONAL PRICE RISKS OCCUR DUE TO CONGESTION OR CHANGES IN AVAILABILITY OF CROSS-BORDER TRANSFER CAPACITY RIGHTS WHEN ENERGY IS TRANSFERRED BETWEEN DIFFERENT ELECTRICITY MARKETS. THE KEY TO MANAGING THESE RISKS LIES IN THE INCREASINGLY GLOBAL OPERATIONS OF THE GEN-I GROUP.

The increasingly competitive environment and greater price volatility in 2008 resulted in increased **price risks**. When the financial crisis pushed down electricity prices in the second half of 2008, it was no longer possible to achieve positive price differences by purchasing electricity in one market and selling it simultaneously in another. This is why GEN-I chose a global approach to its portfolio, creating added value based on synergies between the individual timeframes and geographical components within the portfolio. Any risks that occurred were managed by ensuring that each sale transaction had a corresponding counter-purchase and vice versa.

The basis for such an approach to risk management is GEN-I's presence in a large number of markets and its closely-knit international trading infrastructure, which is coordinated centrally from the Ljubljana organizational unit. The company's global presence reduced the difference between purchase and sale price curves, thus limiting the price risks it was exposed to. This approach enabled the company to remain efficient and competitive in all market segments.

Open positions in individual electricity markets represent a market risk defined as the difference between the aggregate amount of electricity purchased at a fixed price and the aggregate amount of electricity sold at a fixed price in a given period. To cover such open positions, GEN-I used various financial instruments in addition to agreements that ensure electricity supply at a fixed price. The company also used standardized derivative instruments of the German energy exchange EEX futures. All open positions handled by the GEN-I Group were within the parameters and limitations defined in the Group's risk-management policy. They were under constant supervision and were included daily in the relevant general reports. Open positions for individual markets were evaluated based on hourly price curves generated by the company using current prices of forward electricity products and historical hourly profiles for all future periods and for all markets in which the GEN-I Group operates. This kind of control provided GEN-I with a comprehensive and detailed daily overview of the value and importance of individual portfolios. The exposure of the Group's portfolios to market risks was constantly monitored based on evaluation methods that are regularly checked using carefully developed algorithms.

Interregional price risks occur whenever the sale or purchase of a certain amount of electricity depends on cross-border transfer capacity rights. GEN-I managed these risks by participating in bids and auctions for the acquisition of cross-border transfer capacity rights. Allocation procedures for transfer capacity rights vary considerably. In order to succeed in cross-border capacity auctions, the company must have in-depth knowledge of regional electricity flows, which is why an extensive business infrastructure and presence in the wider geographical region is crucial for managing interregional price risks.

The GEN-I Group manages all major risks centrally. In 2008, the Group completed several projects aimed at upgrading the Group's comprehensive risk-management system and implemented procedures for identifying and evaluating new risks.

QUANTITY AND MARKET LIQUIDITY RISKS

SYSTEMATIC PROTECTION AGAINST MAJOR RISKS

QUANTITY RISKS OCCUR BECAUSE OF A DIFFERENCE BETWEEN THE DECLARED ELECTRICITY QUANTITIES AND THE QUANTITIES THAT ARE ACTUALLY DELIVERED OR ACCEPTED. MARKET LIQUIDITY RISKS ARE CHARACTERISTIC OF NON-LIQUID MARKETS WITH FEW MARKET PARTICIPANTS, SMALL TRADING QUANTITIES, AND HIGH PRICE VOLATILITY.

Quantity risks occur in contracts with open quantities of electricity; that is, all contracts involving eligible customers and qualified producers. GEN-I managed these risks by providing comprehensive information support for long- and short-term forecasts of electricity delivery and consumption and by consistently monitoring quantity deviations at most metering points included in the GEN-I balance group.

Market liquidity risks in electricity trading occur when open positions cannot be closed in a certain period of time due to a lack of market depth. They are particularly common in non-liquid markets and can be managed by constantly increasing the number of trade relations with local business partners.

Quantity and market liquidity risks are very specific risks to which GEN-I is exposed when trading and selling electricity. The company managed these risks by using its own advanced algorithms and a methodology that, together with modern technology adjusted to the specific needs of trading, formed a comprehensive risk-management system. Another important factor in managing risks was the expertise of GEN-I's employees working in the risk-management unit and portfolio-analysis departments.

FINANCIAL RISKS

ANALYSES, HEDGING, AND HIGH CONTRACTUAL STANDARDS

IN NON-EUROZONE COUNTRIES, GEN-I WAS INCREASINGLY EXPOSED TO CURRENCY RISKS RESULTING FROM EXCHANGE RATE FLUCTUATIONS. THE COMPANY PAID PARTICULAR ATTENTION TO LIQUIDITY RISKS AND CONSTANT, COMPREHENSIVE CONTROL OF POTENTIAL CREDIT OR SOLVENCY RISKS.

GEN-I managed **currency risks** in markets outside the euro area with the help of its gradually developed infrastructure for foreign currency transactions and a number of currency-hedging mechanisms, including forward contracts and currency clauses. These mechanisms prevented a more noticeable effect of risk-management costs on the margins the Group achieved through its regular activities. The Group was exposed to currency risks on both the purchase and sale sides, especially when evaluating electricity trading and sales, cross-border capacity rights, loans, and equity held in foreign subsidiaries. Currency risks are generally associated with business events expressed in currencies that are different from the company's functional currency. Considering the extent of the Group's operations, the most important foreign currencies included the Serbian dinar (RSD), the Hungarian forint (HUF), and the Croatian kuna (HRK).

Credit or solvency risks are particularly important to the company because they affect its ability to ensure greater liquidity and coordinate financial inflows and outflows. They generally include risks of financial loss to the company if a business partner fails to meet his contractual obligations. These risks are handled depending on the characteristics of individual business partners. Credit or solvency risks include risks of non-payment because of a partner's lack of financial means and risks of the partner's failure to fulfill contractual obligations regardless of his otherwise good financial situation.

GEN-I managed these risks with the help of its active

Most of GEN-I's wholesale trading is conducted using quantity-closed agreements with set quantities of electricity at a fixed price, whereas sales to end-customers are based on open agreements without set quantities of electricity for which correct consumption forecasts are vital. Each activity – purchase of electricity, electricity trading, and sale of electricity – is managed within its own separate portfolio. The current model of transfer market prices used between individual portfolios and their segments enables the company to monitor the performance of the entire Group on a daily basis. One of the most important factors in this process is the correct delimitation of risks. To achieve this, the company incorporates most market risks into its trading portfolio and most quantity risks into its portfolio of sales to end-customers.

policy, which includes consistent application of company bylaws and procedures for identifying risks and assessing exposure to them, determining the permissible limits of risk exposure, and constant monitoring of the company's exposure to risks in its dealings with individual business partners.

In line with company rules, the risk-management unit analyzes the credit standing of each new trading partner and large customer that wishes to purchase electricity from GEN-I. This risk-assessment report serves as a basis for future cooperation, enabling the company to define credit lines for hedging purposes and offer new partners payment and delivery conditions adjusted to their particular risk levels.

When negotiating transactions, GEN-I pays special attention to the use of appropriate financial and legal instruments to ensure the fulfillment of contractual obligations. The company uses only the most efficient hedging instruments to protect its receivables, ensuring the payment of overdue contractual obligations in case business partners fail to fulfill them. In wholesale trading, where receivables are even more difficult to collect because of the international nature of the activity, the company mainly uses bank guarantees, in which the issuing bank assumes full and unconditional responsibility for the debtor's liabilities. Bank guarantees are a common form of insurance in GEN-I's long-term general agreements and in individual short-term agreements with maturity periods exceeding one month. Another relatively safe form of insurance used mainly for general agreements in international electricity trading is unconditional guarantees issued by the business partners' parent companies (i.e., Parent Company Guarantees or PCG). If business partners fail to fulfill their contractual obligations, their payment obligation is assumed by the parent company that issued the guarantee. This form of insurance is only used based on a previous approval of the issuing company's credit standing.

Apart from bank guarantees, insurance in the form of blank bills of exchange is used for business partners with lower risk levels in the domestic electricity sales

market. In addition to dealing with business partners on an individual basis, the company sometimes uses more innovative material/legal insurances, which are less common in the electricity market.

The main focus of risk management is not just insurance; one of its primary goals is to ensure well-defined contracts. As part of its wholesale trading activities, GEN-I signs electricity contracts based on standardized EFET general agreements recommended by the European Federation of Energy Traders (EFET). In these agreements, risk-management issues are clearly defined, including receivables from electricity supplied and compensation for damages incurred because of alternative transactions necessary due to a partner's failure to meet contractual obligations. The company enforces a similarly high level of contractual provisions in electricity-sale agreements.

Liquidity risks occur if the company or the Group is unable to meet its outstanding financial obligations. The Group ensures a maximum level of liquidity by providing the liquid assets necessary for meeting its obligations at all times, both in everyday circumstances and in the case of unpredictable events.

In order to reduce liquidity risks, GEN-I monitors and plans short-term solvency on a daily basis, constantly coordinating and planning its own cash flows. Short-term surpluses and shortages of monetary assets are monitored and optimized at the company and Group level. A liquidity reserve in the form of credit lines approved by business banks, the diversification of financial liabilities, constant adjustment of maturity periods for liabilities and receivables, and consistent collection of receivables are all factors that guarantee the company and the Group successful cash-flow management, ensuring their purchasing power and reducing the level of short-term solvency risks. Thanks to the company's active approach to financial markets, its good performance in the past, and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely controllable.

Interest risks are mainly associated with the possibility of unexpected growth in the Group's financing cost, which varies according to floating interest rates in the market. Considering the extent of the Group's financing needs, exposure to these risks is low.

CONTROL SYSTEM PROTECTION AGAINST OPERATIONAL AND HUMAN RESOURCE RISKS

IN ADDITION TO EXTERNAL RISKS RESULTING FROM CONTRACTS SIGNED WITH BUSINESS PARTNERS, GEN-I ALSO MANAGES INTERNAL RISKS THAT ARISE FROM ITS OPERATIONS AND INTERNAL ORGANIZATION. THE GROUP PREVENTS, LIMITS, AND MANAGES THE RISK OF ERRORS, UNSATISFACTORY PERFORMANCE, AND OTHER SIMILAR RISKS USING A COMPREHENSIVE CONTROL SYSTEM FOR MONITORING INDIVIDUAL FUNCTIONS AND PROCESSES.

Operational risks are present in all business transactions performed by the GEN-I Group as part of its activities. They include risks of financial loss to the company due to the inefficiency of its information technology and the poor quality of business and control processes. The GEN-I Group reduces operational risks using a control system that requires all important transactions to be carried out according to the principle of "at least two sets of eyes." The company limits these risks through clearly defined processes, roles, responsibilities, and authority, as well as codes of practice and internal rules. It also continues to invest in upgrades to the information structure and in automatic control for individual process phases, reducing the possibility of human

error even further. The highly professional approach, experience, motivation, and knowledge of GEN-I's employees represent the most important foundation for preventing and reducing operational risks, enabling the company to respond to new situations in a correct, timely, and flexible manner.

The GEN-I Group takes **human resource risks** very seriously. Its business activities, rapid growth, entry into new markets, and efforts put into realizing business goals require not only that employees constantly improve their skills and acquire new knowledge, but also that they develop the ability to work in a team, show great flexibility, a dynamic approach and self-initiative, and cultivate excellent interpersonal relationships and communication skills. The company pays particular attention to the most important human resource risk: the potential loss of key employees. To limit this risk, the company maintains a healthy organizational climate through regular analyses, providing constant professional growth, stimulating working conditions, and good communication between management and employees and among employees themselves. With the help of these measures GEN-I has been successful in managing human resource risks.

The biggest human resource risk for GEN-I, d.o.o. and the GEN-I Group is the potential loss of key employees. GEN-I manages this risk by constantly developing management skills and improving the quality of interpersonal relationships and communication.

11.7

DEVELOPMENT OF INFORMATION AND BUSINESS INFRASTRUCTURE

INFORMATION AND COMMUNICATION TECHNOLOGY: RELIABLE AND FLEXIBLE SUPPORT FOR BUSINESS PROCESSES

GEN-I'S MAIN STRATEGIC GOALS FOR INFORMATION AND COMMUNICATION TECHNOLOGY INCLUDE IMPROVING THE RELIABILITY, RUGGEDNESS, AND EFFICIENCY OF INFORMATION AND COMMUNICATION TECHNOLOGY, MONITORING THE DEVELOPMENT OF BUSINESS PROCESSES USING THE APPROPRIATE INFORMATION TECHNOLOGY TOOLS, AND PROVIDING QUALITY SUPPORT TO USERS OF THESE TOOLS ACROSS THE COMPANY.

Activities in 2008 mostly focused on linking and improving ICT services, tools, and technologies that the company acquired in 2007. The absorption, integration, and consolidation of these technologies in 2008 was aimed at increasing system reliability, accelerating automatization of work processes, and ensuring responsive troubleshooting and risk prevention.

Increasing system reliability was GEN-I's most important objective when implementing upgrades, improvements, and updates into a large number of ICT systems, which are aimed at ensuring efficient support for business processes. The company's most important ICT systems include a support system for electricity trading, a support system for electricity sales, the electronic operations system, and the ERP system – an integrated business system for resource management. Regular maintenance and upgrades of systems and their support systems have increased their reliability, ruggedness, and resistance to unforeseen external factors. These upgrades were necessary because of increased business volumes and the subsequent increase in the number of transactions.

Automatization of work processes and flexible support

for the company's various business segments, including controlled and secure processing and storage of documents, are increased by the gradual introduction of the MS Office SharePoint Services platform. This is one of the most important new tools introduced into GEN-I's business processes in 2008, enabling the company to easily adapt to different end-user types and the various supported processes. This new solution is in line with GEN-I's strategic goal to monitor the development of its business processes and the resulting needs for new IT tools. When introducing new solutions, the company always assesses their suitability, taking into consideration the price/quality ratio and additional development and internal resources necessary to implement them.

Reducing risks associated with malfunctions in the ICT system is one of GEN-I's most important goals and is aimed at ensuring quality IT support for users across the company. These risks have been on the rise due to the increasing number of interconnected systems with different levels of compatibility. The prevention of disruptions, which was high on GEN-I's list of priorities in 2008, is based on a centralized system for collecting unified incident reports from all IT systems in one place. This system enables the company to quickly analyze the situation at hand and prioritize incidents according to the level of urgency, addressing issues in cooperation with outsourcing partners if necessary. The unified system for collecting incident reports and the professional way in which they are handled guarantee the shortest possible response times for localizing, identifying, and diagnosing incidents, resolving issues, and finding temporary solutions.

Reducing risks in all phases of electricity sales and trading is closely linked to the availability of the right information at the right time. This is why the appropriate reliable systems for the support of business processes are vital for GEN-I's business performance.

International electricity trading is full of unpredictability.







A thorough knowledge of potential pitfalls clears the path to the desired goal.



III.1

RESPONSIBILITY TO EMPLOYEES

A HIGHLY EDUCATED COMPANY: THE ENERGY OF YOUTH AND EXPERTISE

The fact that GEN-I is the fastest-growing company in the Slovene electricity sector is also reflected in its employment activities. The number of employees working for the company increased from 30 at the end of 2007 to 47 at the end of 2008. Because of GEN-I's rapid expansion and growing human resource needs, its management adopted a new job classification in 2008 based on the company's business plan and the expected 30% increase in the number of employees in the next five years.

Male employees represent a 53.2% share and female employees a 46.8% share in the total number of GEN-I employees. Most employees fall into the



25 to 35 age bracket, and the company's average employee is 31.6 years old.

In terms of employee education, GEN-I is one of the leading companies in Slovenia. More than 50% of its employees have bachelor's degrees and more than 8% have doctorates or master's degrees. With the increasing number of employees, education levels among the company's employees have been rising. Some employees are currently enrolled in higher-education programs at the doctoral or master's level, which will further improve the company's above-average education levels over the next few years.

The company's employees are experts in a number of fields, including electrical engineering, mechanical engineering, informatics and computer science, economics, and social sciences. The specialist knowledge that the company requires for its future development is a mixture of technical knowledge of the workings of the energy sector and good understanding of financial instruments and markets.

Employee structure is closely linked to the way work is organized and the general atmosphere in the workplace. A survey of the company's organizational climate and employee satisfaction was conducted in May 2008. Its findings revealed that employees were satisfied, that they perceived the company

	Education levels according to the Bologna Declaration	Number of employees as of December 31st, 2008	Share in %
Secondary school degree	5	10	21.3%
Junior college degree	6/2	9	19.1%
Bachelor's degree	7	24	51.1%
Master's degree	8/1	2	4.3%
Doctorate	8/2	2	4.3%
Total		47	100.0%

as proactive and ambitious, and that they particularly enjoyed the relaxed atmosphere and informal relationships, which had a positive impact on the performance of their work and their dedication to it. Although the company expects a lot from its employees, they were satisfied with the way goals were monitored and with the availability of resources at work. The purpose of the survey was to further increase employee satisfaction with the appropriate organizational tools.

DEVELOPING KNOWLEDGE AND SKILLS: FOR PROFESSIONAL AND PERSONAL GROWTH

GEN-I's employees value the fact that the company encourages professionalism and self-initiative, at the same time enabling them to attain these qualities by providing the necessary organizational solutions. The company has a structured job classification in place, along with a flexible and transparent incentive system and well-defined contractual relations. It also ensures the professional development of promising individuals and provides career-planning services for its employees based on annual evaluation interviews. These interviews are an opportunity to assess employees' past performance and set goals for the future.

Highly educated employees regularly participate in additional training activities in order to meet the company's needs and fulfill their own career goals. GEN-I's investments in education and training almost tripled in 2008 compared to the year before. The main focus of training activities is on specialist trading areas. As part of these activities, employees participated in certificate programs abroad authorizing them to trade in organized electricity markets, and attended several formal training programs at universities and professional institutions in Slovenia.

GEN-I has a well-established tradition of organizing in-house seminars and presentations at which

employees share the knowledge they acquired with coworkers from their own departments, other units of the company, and other business segments. The company also organizes work-related field trips for its employees. In 2008, employees paid a visit to the Krško Nuclear Power Plant, the Termoelektrarna Brestanica (gas power plant), and the company's Serbian subsidiary GEN-I Beograd, d.o.o.

When organizing training activities, GEN-I takes into consideration the suggestions offered by employees at their annual evaluation interviews. This way, the company ensures greater involvement of employees in its development strategy, enabling them to apply the newly acquired knowledge to their work in the shortest possible time.

HEALTH AND PENSION SECURITY: PROVIDING FOR THE PRESENT AND THE FUTURE

Workplace organization and job classification include the provision of proper working conditions and safety measures that minimize health and safety hazards for employees. The company requires all new employees to have a medical checkup before starting employment and ensures their long-term social security by providing additional pension insurance. All of GEN-I's employees are included in the company's collective additional pension insurance plan.

In 2008, employees were absent from work for a total of 225 days (at the expense of the company), or an average of 5 days per employee, due to illness, maternity and paternity leave, and unpaid leave.

Absences covered by the state budget without the company's direct participation amounted to 34 days in 2008, or less than 1 day per employee. Maternity leave accounted for 300 days of absence and paternity leave for 44 days of absence in 2008. Forty-three unpaid days of leave were taken by employees for educational purposes.

**INTERNAL COMMUNICATIONS:
THE MOST ADVANCED CONNECTIONS**

GEN-I's dynamic business activities, its flexibility in dealings with its partners, and the focus on responsiveness in all business processes increase the importance of internal communications, especially among employees. The working environment at the company and the way in which work is organized encourage more direct interpersonal communication, although a range of advanced communication tools are also available to employees.

GEN-I's dispersed structure with offices in several different locations calls for remote communication with the help of video-conferencing tools, which are consistently used at the Ljubljana and Nova Gorica organizational units. Video conferences are the preferred communication method for many of the company's business meetings and are used to coordinate different projects. GEN-I's conference room in Ljubljana, where most of its internal training takes place, is equipped with the most advanced tools for giving presentations and seminars.

**LEISURE-TIME BENEFITS:
RECREATIONAL AND SOCIAL ACTIVITIES**

Motivation and incentives for increased efficiency, which often require time flexibility on part of the employees, are not limited to financial incentives and emotional encouragement in the workplace, but also include the availability of quality leisure time. GEN-I's employees have access to a local sports facility during a fixed time period reserved by the company, and benefit from free passes for the use of saunas, weight rooms, and pools. The company also organizes regular winter and summer sport competitions and several in-house sports and social events for its employees.

In 2008, one-fifth of GEN-I, d.o.o.'s employees ran in the 13th Ljubljana Marathon, participating in the half-marathon and recreational categories. The company also showed its concern for employee's families, organizing a social event and a children's play with presents for the youngest just before the New Year holiday.

III.2

ENVIRONMENTAL RESPONSIBILITY

ENERGY WITH CERTIFICATES OF ORIGIN: ENCOURAGING GREEN ELECTRICITY

GEN-I, d.o.o. has set up a system for acquiring and trading certificates of origin. These certificates are used as proof that electricity was generated from environmentally friendly sources. In 2008, the company purchased 166 GWh of electricity with certificates of origin. By purchasing electricity produced in a way that does not impact the environment (i.e., renewable energy sources and high-efficiency cogeneration plants), the company indirectly encourages such production and provides electricity for environmentally aware customers.

GEN-I also supports environmentally friendly energy production by including these producers into its own group and by purchasing the electricity they produce. In 2008, the company purchased electricity from more than 30 small hydroelectric power stations in Slovenia.

ENERGY-SAVING SCHOOL: A PROJECT WITH SAVINGS OF OVER 200,000 KWH

In cooperation with shareholder GEN energija, d.o.o., GEN-I continued its Energy-Saving School project in 2008. The main goal of the project is to encourage efficient energy use among students and the schools' management. By changing young people's behavioral patterns, this project will have a long-term positive effect on efficient energy use in a number of areas, and has already helped schools cut electricity costs by rewarding lower consumption.

In order to evaluate actual savings, GEN-I's analytical team joined forces with the E-forum and an expert on energy matters from the Velenje School Center and prepared a model for comparing electricity consumption between two different time periods.

The purpose of the calculation was to eliminate objective external factors (increase or decrease in area, numbers of users, etc.), which can have a major effect on electricity consumption at individual schools.

When preparing the model, the team used a regression analysis with multiple variables in order to determine the importance of individual factors, such as the number of people at the school, the number of classrooms, school area, and the total number of computers. This formula was used to calculate savings and determine the amount of the reward offered to different schools. Based on calculations, the company was able to verify whether schools have actually saved any electricity compared to previous periods. In 2008, 40 educational institutions across Slovenia joined the Energy-Saving School project. Participating schools are entitled to a reward of EUR 100 for each MWh of electricity they save compared to the year before.

Total savings of all participating schools in 2008 amounted to 192,000 kWh, although calculations based on GEN-I's model, which takes into account all the relevant factors, showed that consumption was in fact reduced by more than 200,000 kWh. Based on actual quantities of electricity saved, the project's organizers will pay out rewards totaling over EUR 20,000. The results of the evaluation showed that 23 of 40 participating schools, or more than 50%, have lowered their electricity consumption.

In order to further develop the project, GEN energija and GEN-I teamed up with the project "Eco-School as a Way of Life". Both projects have the same goals and the partners hope to achieve certain synergies, enabling participants to save even more on electricity costs.

III.3

CORPORATE SOCIAL RESPONSIBILITY

SPORTS

FAR-REACHING OLYMPIC SPONSORSHIP

The majority of GEN-I, d.o.o.'s sponsorships are aimed at promoting sports activities. In 2008, the company supported Slovenia's top athlete Primož Kozmus, who won the Olympic gold in the men's hammer throw at the Beijing Olympic Games. At the end of 2008, GEN-I, d.o.o. and GEN energija, d.o.o. signed a new sponsorship agreement with Kozmus, committing to support him in the following year. With GEN-I's logo printed on his jersey, the company's visibility is promoted every time Kozmus participates in a sports event. The athlete is also willing to appear at events organized by GEN-I. In 2008, he was present at the opening of a preschool at Istrabenz Gorenje, a co-owner of GEN-I, d.o.o.

KNOWLEDGE — PARTNERSHIP

SUPPORTING EDUCATION

GEN-I, d.o.o. is a company that relies on cutting-edge knowledge and supports select educational events, meetings, and institutions through sponsorship and donations. In 2008, the company was a sponsor at the international conference "Nuclear Energy for New Europe 2008" and the 2nd Slovene Photovoltaic Conference. Together with its Croatian subsidiary GEN-I Zagreb d.o.o. GEN-I also donated

funds to the International Institute for Middle-East and Balkan Studies (IFIMES).

CHARITY — FOR HEALTH

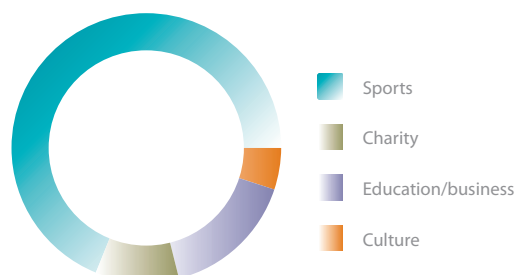
HELPING CANCER PATIENTS

In 2008, GEN-I supported a charity campaign aimed at raising funds for infusion systems used in automatic drug infusion. These systems were donated to the Institute of Oncology Ljubljana, which treats the highest number of patients with colorectal cancer.

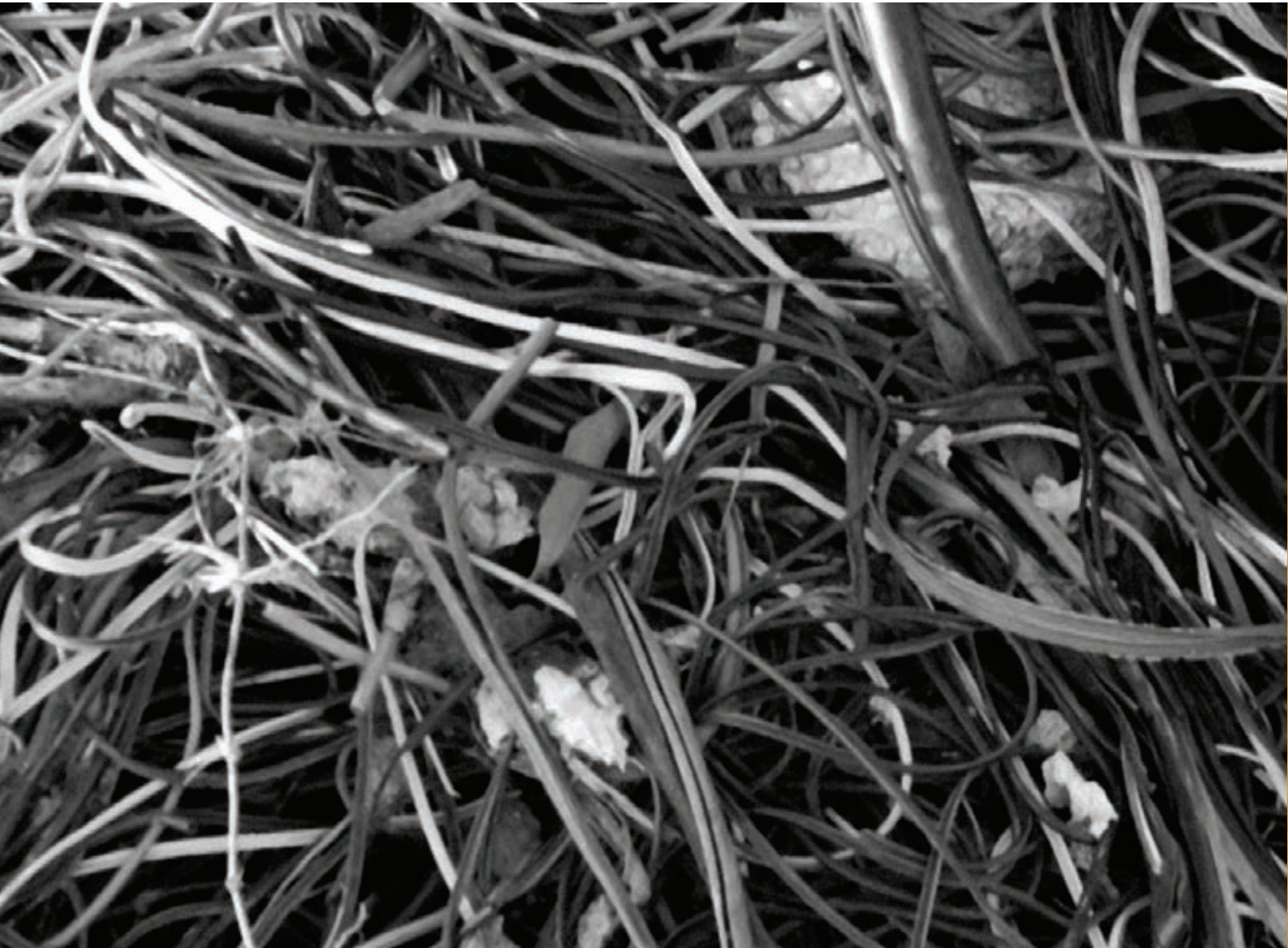
FUTURE — FOR THE CHILDREN

HELPING NEW GENERATIONS

GEN-I joined the "Key to Life" project, helping raise funds to purchase a new ultrasound device for the maternity hospital in Brežice. In 2007, GEN-I was elected Donor of the Year for its contributions to the charity campaign "A Wink to the Sun" in Slovenia's Gorizia region. In 2008, the company again contributed a large portion of its donations to this initiative, which gives children from low-income families the opportunity to enjoy free summer vacations.



Operational risks reduce the effectiveness of the internal control system.







It only works when everything works.



IV.1

THE COMPANY'S FINANCIAL STATEMENTS

IV.1.1 BALANCE SHEET

Figures in €

Items	Explanatory note	31 Dec 2008	31 Dec 2007
Property, plant, and equipment	2	307,089	261,963
Intangible assets	1	477,490	308,133
Interests in subsidiaries	3	889,486	216,639
Other investments including derivatives		27,200	3,600
Non-current operating receivables and loans	4	50,075	50,075
Deferred tax assets	11	32,011	19,432
Non-current assets		1,783,351	859,842
Operating receivables	5	78,207,292	31,955,578
Other investments including derivatives	6, 7	5,408,985	2,680,180
Cash and cash equivalents	8	2,233,200	2,393,722
Current assets		85,849,477	37,029,480
Assets		87,632,828	37,889,322
Called-up capital		8,000,000	8,000,000
Legal reserves		488,192	227,390
Retained earnings		4,955,222	2,628,199
Equity	9	13,443,414	10,855,589
Non-current provisions	10	44,645	36,101
Non-current liabilities		44,645	36,101
Current financial liabilities	12	14,085,051	4,673,731
Current operating liabilities	13	60,059,718	22,323,901
Current liabilities		74,144,769	26,997,632
Liabilities		74,189,414	27,033,733
Total equity and liabilities		87,632,828	37,889,322

IV.2

PROFIT AND LOSS ACCOUNT

Figures in €

Items	Explanatory note	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Sales revenues	17	320,744,875	148,707,810
Other operating revenues	17	142,203	0
Cost of goods, materials, and services	18	-309,223,509	-141,302,262
Cost of goods sold		-306,957,570	-136,827,508
Cost of materials		-98,929	-77,628
Cost of services		-2,167,010	-4,397,126
Labor cost	19	-2,240,234	-1,359,812
Depreciation and amortization	20	-236,719	-110,213
Other operating expenses	21	-142,428	-100,116
Operating profit or loss		9,044,188	5,835,407
Revenues from investments		218,884	0
Revenues from interest, foreign exchange differences, and other financial revenues		236,164	958,823
Financial revenues	22	455,048	958,823
Expenses for interest, foreign exchange differences, and other financial expenses		-2,439,942	-3,073,188
Impairment of assets		-277,142	-1,850
Financial expenses	22	-2,717,084	-3,075,038
Profit or loss from financing		-2,262,036	-2,116,215
Profit before tax		6,782,152	3,719,192
Income tax	23	-1,566,128	-858,508
Net profit or loss for the period		5,216,024	2,860,684

IV.3

CASH FLOW STATEMENT

Figures in €

Items	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Cash flows from operating activities		
Net profit or loss for the period	5,216,024	2,860,684
Adjustments for:		
Depreciation and amortization	236,719	110,213
Operating current assets write-offs	277,142	1,850
Elimination of write-offs and debt cancellation	-227	0
Loss from sale of property, plant and equipment, intangible assets, and investment property	0	339
Financial revenues	-455,048	-958,823
Financial expenses	2,439,942	3,073,188
Income tax	1,566,128	858,508
Operating profit before changes in net operating current assets and taxes	9,280,680	5,945,959
Changes in net operating current assets and provisions		
Changes in receivables	-46,389,058	-20,678,676
Changes in operating liabilities	37,423,428	13,994,827
Changes in provisions	8,544	7,875
Income tax paid	-1,266,316	-808,580
Net cash flow from operating activities	-942,722	-1,538,595
Cash flow from investing activities		
Interest received	314,819	49,959
Proceeds from sale of property, plant and equipment, intangible assets, and investment property	0	800
Receipts from decrease in loans given	6,629,000	571,000
Acquisitions of property, plant and equipment, and intangible assets	-451,203	-428,413
Acquisitions of subsidiaries	-672,847	-203,916
Acquisitions of other investments	-23,600	-3,600
Expenses for increase in loans given	-9,357,805	-2,891,182
Payment for settlement of derivatives	-1,882,349	-2,012,708
Net cash from investing activities	-5,443,985	-4,918,060
Cash flows from financing activities		
Interest paid	-557,056	-160,893
Receipts from short-term loans received	9,411,321	4,359,785
Foreign exchange differences	120	5
Change in equity	0	5,819,378
Dividends paid	-2,628,199	-1,666,049
Net cash from financing activities	6,226,186	8,352,226
Cash and cash equivalents at beginning of the period	2,393,722	498,151
Net increase in cash and cash equivalents	-160,522	1,895,571
Cash and cash equivalents at the end of period	2,233,200	2,393,722

The cash flow statement shows changes in the company's monetary assets in the course of the business year. Monetary assets include cash, bank account balances, and call deposits. The company prepared its cash flow statement using the indirect method.

IV.4

STATEMENT OF CHANGES IN EQUITY

Changes in 2007

Figures in €

Changes in equity	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
Balance at 1 Jan 2007	4,172,926	-2,086,463	89,063	1,666,049	3,841,575
Profit or loss for the period	0	0	138,327	2,722,358	2,860,685
Total recognized revenues and expenses	0	0	138,327	2,722,358	2,860,685
Entry of share capital	3,827,074	2,086,463	0	0	5,913,537
Dividend (shares) payout	0	0	0	-1,666,049	-1,666,049
Other eliminations (decreases) of equity items	0	0	0	-94,159	-94,159
Balance at 31 Dec 2007	8,000,000	0	227,390	2,628,199	10,855,589

Changes in 2008

Figures in €

Changes in equity	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 Jan 2008	8,000,000	227,390	2,628,199	10,855,589
Profit or loss for the period	0	260,802	4,955,222	5,216,024
Total recognized revenues and expenses in equity	0	260,802	4,955,222	5,216,024
Dividend (shares) payout	0	0	-2,628,199	-2,628,199
Balance at 31 Dec 2008	8,000,000	488,192	4,955,222	13,443,414

IV.5

APPENDIXES WITH NOTES

IV.5.1 THE REPORTING COMPANY

GEN-I, d.o.o. (hereinafter referred to as: the company) is a Slovene company with headquarters at Cesta 4. julija 42, SI-8270 Krško, Slovenia. The company's financial statements were prepared for the business year that ended on December 31st, 2008.

IV.5.2 BASIS OF PREPARATION

(a) Statement of compliance

The financial reports are prepared in accordance with International Financial Reporting Standards (IFRS) and the explanatory notes published by the International Accounting Standards Board (IASB) and adopted by the European Commission. The financial statements were approved by the company's management on March 17th, 2009.

(b) Measuring basis

The accounting reports are compiled on a historical cost basis, except in the following cases where fair value is used:

- Derivative financial instruments;
- Financial instruments at fair value in the profit and loss account;

(c) Functional and presentation currency

The financial statements are expressed in euro, the company's functional currency. All accounting data is presented in euro, rounded off to nearest integer.

(d) Use of estimates and assessments

When preparing financial statements, the company's management was required to make assessments, estimates, and assumptions that affected the application of accounting policies and the reported values of assets, liabilities, revenues, and expenses, in accordance with IFRS. Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

IV.5.3 SIGNIFICANT ACCOUNTING POLICIES

The company consistently applied the accounting policies described below for all periods presented in its financial statements.

(a) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applied at the balance sheet date. Positive or negative exchange differences are differences between the repayment value in the functional currency at the beginning of a period, increased or decreased by the amount of effective interest and payments within the period, and the repayment value expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Exchange rate differences are recognized in the profit and loss account, with the exception of differences from the conversion of available-for-sale equity instruments, non-financial liabilities used for hedging, and cash flow hedge recognized directly in equity.

(b) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise operating and other receivables, cash and cash equivalents, loans received and given, as well as operating and other liabilities. Non-derivative financial instruments are initially recognized at their fair value increased by (instruments not recognized at

fair value in the profit and loss account) any costs directly associated with the transaction. Financial instruments are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the company's contractual rights to the cash flows from the financial assets expire, or if the company transfers the financial asset to another party without retaining control or all risks and rewards of the asset.

Cash and cash equivalents include cash in hand and cash balances. Bank overdrafts repayable on demand, which form an integral part of the company's cash management, are included as a component of monetary assets and their equivalents in the cash flow statement.

Investments at fair value in the profit and loss account

Instruments are allocated at fair value in the profit and loss account if they are available for sale or if they are classified as such after initial recognition. Financial instruments are measured at fair value in the profit and loss account if the company is capable of managing the investments and deciding on their purchase and sale based on fair value in accordance with the company's documentation on hedge accounting or with its investment strategy. After initial recognition, the related transaction costs are recognized in the profit and loss account at the time of their occurrence. Financial instruments at fair value in the profit and loss account are measured at fair value, and the amount of any changes in the fair value is recognized in the profit and loss account.

Other

Other non-derivative financial instruments are stated at repayment cost using the effective interest rate method, reduced by impairment losses.

(c) Derivative financial instruments

The following derivative financial instruments are used to protect the company from market and currency risks:

- Forward transactions;
- Forward contracts.

Non-standardized forward contracts are derivative financial instruments in the form of agreements on the sale or purchase of a basic instrument, whose price is determined at the time of the agreement's execution, but with a future effective date. Forward transactions can only be conducted between two parties, usually two financial institutions or a financial institution and its client; the conditions of forward contracts are fully adjusted to the needs of the two parties. The price of forward transactions is determined based on the basic financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a forward transaction is equal to the difference between the current price of a basic instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity period of the contract depending on changes in current market prices (including spot prices) and the remaining duration of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized forms are necessary because standardized forward contracts are a product that is traded on electricity exchanges. The main advantage of standardized products is the

minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction – they only need to agree on the price of individual forward contracts. Contracts are negotiated without the physical presence of the goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts on the other hand are not liquid because there is hardly any exchange taking place with these contracts. When trading forward contracts, the Group must deposit a security coverage at the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Derivative financial instruments are initially recognized at fair value, and transaction costs are recognized in the profit and loss account at the time of their occurrence.

Cash flow hedge

Changes in the fair value of derivative financial instruments designated as cash flow hedging instruments are recognized directly in equity but only if the hedging is determined to be effective. In case of an ineffective hedge, changes in fair value are stated in the profit and loss account.

Economic hedge

Economic hedge is not applied to derivative financial instruments used for hedging monetary assets and liabilities that are expressed in foreign currencies. Any changes in the fair value of derivative financial instruments are recognized in the profit and loss account as part of positive or negative foreign exchange rate differences.

(d) Equity

Total equity includes called-up capital, profit reserves, and retained profit or loss from previous periods. The company's equity comprises two business shares.

(e) Tangible fixed assets**Recognition and measurement**

Tangible fixed assets are stated at their acquisition value, reduced by revaluation adjustments and impairment losses. The value of tangible fixed assets on the date of transition to IFRS is measured based on their supposed acquisition cost at that date. The procurement value of assets includes costs that can be directly attributed to their procurement. Any computer software which contributes significantly to the assets' functionality should be capitalized as part of the asset. Borrowing costs for the purchase or construction of these assets is recognized in the profit and loss account at the time of their occurrence. Parts of tangible fixed assets that have different useful lives are accounted for as separate fixed asset items.

Profit or loss from the disposal of tangible fixed assets is defined as the difference between revenues from the disposal and the asset's carrying value, and is recognized in the profit and loss account as "other operating revenues".

Depreciation

Depreciation is calculated using the straight-line depreciation method and is based on the useful life of the individual tangible asset.

Estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 to 5 years;
- Furniture and built-in equipment 4 to 5 years;

Depreciation methods, useful lives, and other values are reviewed at the reporting date. Estimates regarding certain parts of tangible fixed assets were corrected in 2008.

(f) Intangible assets**Other intangible assets**

Other intangible assets with limited useful lives acquired by the company are stated at acquisition value reduced by revaluation adjustments.

Depreciation

Depreciation is calculated using the straight-line depreciation method and is based on the useful life of intangible assets, starting from the date the asset is available for use. Investments in fixed assets owned by others are depreciated using the units-of-production depreciation method. Estimated useful lives for the current and comparative years are as follows:

- Software 2 to 5 years;
- Investments in fixed assets owned by others 1 to 5 years;

(g) Asset impairment**Financial assets**

The company assesses the value of financial assets at the reporting date to determine whether there is any objective indication of asset impairment. Financial assets are considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with the financial asset stated at repayment cost is measured as the difference between the asset's carrying value and the value of estimated future cash flows, discounted at the original effective interest rate.

Impairment estimates of important financial assets are carried out individually. The impairment of remaining financial assets is estimated collectively with regard to the assets' common risk exposure characteristics.

All impairment losses are reported in the company's profit and loss account for the accounting period. Any cumulative loss associated with available-for-sale financial assets that was recognized directly in equity is transferred to the profit and loss statement. Impairment losses are derecognized if they can be objectively associated with events that occurred after their recognition. Derecognition of the impairment of financial assets that are stated at repayment cost and derecognition of the impairment of available-for-sale financial assets, which are considered debt instruments, is reported in the company's profit and loss.

Non-financial assets

At each reporting date, the company reviews the carrying value of non-financial assets to determine if there are any indications of impairment. If there are any such indications, the asset's recoverable value is assessed. The impairment of intangible assets with an undetermined useful life which are not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value reduced by costs of sale. In determining the asset's value in use, estimated future cash flows are discounted to their carrying value at the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows that are largely independent from cash inflows from other assets or groups of assets ("cash-generating units").

An impairment loss of an asset or cash-generating unit is recognized whenever its carrying value exceeds its recoverable value. The impairment is recognized in the profit and loss account.

(h) Employee earnings**Other long-term employee earnings – provisions for severance payments and long-service bonuses**

The company's net liability from long-term employee earnings is the sum of future earnings that the employees receive in exchange for the work performed in the current and past periods.

Pursuant to the law, the collective agreement, and its internal job classification, GEN-I, d.o.o. is obliged to pay long-service bonuses and severance payments to employees, and has created long-term provisions for this purpose. There are no other pension liabilities. Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted to the balance sheet date. A calculation is made for each employee, taking into account severance payment costs and costs of all the expected long-service bonuses until retirement. The chosen discount interest rate in Slovenia is 7.75% p.a., which was the return on 10-year high-rated bonds in the euro area at the end of November 2008. Liabilities are calculated using the projected unit credit method based on an authorized actuary's calculation.

(i) Short-term employee earnings

Liabilities from short-term employee earnings are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term earning is completed. The liability is recognized in the amount that is expected to be paid out as a premium in the twelve months following the period in which the work was performed, or as part of a profit distribution scheme, if the company is liable for such payments based on a present legal or constructive obligation for the work performed by the employee, and if the liability can be measured reliably.

(j) Provisions

Provisions are recognized if the company has a present legal or constructive obligation as a result of a past event which can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenues**Revenues from goods sold**

Revenues from goods sold are recognized at the fair value of payments received or the receivables sold, reduced by returns, resale rebates, and quantity discounts. Revenues from sales are recognized at the moment when risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs or the possibility of returning the products are certain, when the company ceases to have effective control over the goods sold, and when the amount of revenues can be measured reliably.

Revenues from sale of services

Revenues from sale of services are recognized in the profit and loss account by reference to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of the work performed.

Commission

If the company acts as an intermediary in a transaction, instead as a parent company, the resulting net commission is stated as revenue.

Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of lease.

Financial revenues and financial expenses

Financial revenues include interest from investments, changes in the fair value of financial assets at fair value reported in the profit and loss account, and profits from hedging instruments reported in the profit and loss statement. Interest revenues are recognized in the profit and loss account at the time of their occurrence, using the effective interest rate method.

Financial expenses include borrowing costs, changes in the fair value of financial assets at fair value reported in the profit and loss account, losses from impairments of financial assets, and losses from hedging instruments recognized in the profit and loss account. Borrowing costs are recognized in the profit and loss statement using the effective interest rate method.

Profit and loss from exchange rate differences is recognized in its net amount.

(l) Income tax

Income tax on the profit or loss in the business year includes current and deferred tax. Income tax is recognized in the profit and loss account except where it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable revenue for the business year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is disclosed using the balance sheet liability method, which allows for temporary differences between the carrying value of assets and liabilities for financial reporting and for taxation purposes.

A deferred tax receivable is recognized to the extent that it is probable that future taxable profits, against which the receivable can be utilized, will be available. Deferred tax receivables are reduced by the amount of tax benefits that are not expected to be realized.

(m) Segment reporting

Segments are identifiable parts of the company that deal with products and services (business segments) or products and services in a particular economic environment (geographical segments), that are subject to risks and generate yields different from those in other segments.

The company has no defined geographical or business segments.

(n) New standards and interpretations that have not come into force

Many new standards, amendments, and interpretations of standards for the business year ended on December 31st, 2008 have not yet come into force and were not considered in the preparation of the company's consolidated financial statements:

- **IFRS 8 Operating segments** (in effect since January 1st, 2009) introduces the so-called "management approach" into segment reporting. IFRS 8, which will have to be applied to the company's 2009 financial reports, requires identification of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The company does not currently state segment information by geographical and business segments.
- **Revised IAS 23 Borrowing costs** (in effect since January 1st, 2009) According to this revised standard, borrowing costs should no longer be recognized as expenses; the standard requires that borrowing costs which can be directly attributed to the acquisition, construction, or production of a qualifying asset be capitalized as part of the asset's acquisition value. The revised IAS 23 will have to be applied to the company's consolidated financial statements for the 2009 business year, affecting a change in its accounting policies. The company will apply the revised IAS 23 to assets for which cost capitalization initiates on the date the change becomes effective or later.
- **Amendments to IFRS 2 Share-based payment** (in effect since January 1st, 2009) provide clarification on vesting conditions and how to account for non-vesting conditions. Non-vesting conditions must be reflected in the fair value on grant date; failure to meet the non-vesting conditions will be treated as a cancellation. Amendments to IFRS 2 do not have a significant effect on the company's operations as it does not use a share-based benefit system.
- **Revised IFRS 3 Business combinations** (effective July 1st, 2009). The scope of the revised standard has been modified and the definition of the term "transaction" widened. The revised standard includes a number of other changes, such as:
 - All payment components transferred by the acquirer are measured and recognized at fair value at the acquisition date, including contingent amounts.
 - Subsequent changes in contingent amounts are recognized in the profit and loss account.
 - Transfer costs excluding share and debt instrument emission costs are classified as expenses on the day of their occurrence.
 - The acquirer may choose to measure any non-controlling share at fair value at the acquisition date (total value of goodwill) or at its proportionate share in the fair value of the identifiable assets and liabilities of the acquiree.
 - The revised IFRS 3 has no influence on the company's operations because it does not have shares in subsidiaries that are affected by this revision.
- **Amendments to IAS 1 Presentation of financial statements** (in effect since January 1st, 2009). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a "statement of comprehensive income". Items of income and expense and components of other comprehensive income are either presented in a single statement of comprehensive income (income statement and all non-owner changes in equity together) or in two separate statements (a separate income statement followed by a statement of comprehensive income). In its 2009 financial statements the company will use two separate statements.

- **Amendments to IAS 27 Consolidated and separate financial statements** (in effect since January 1st, 2009). The main changes include the removal of the cost method definition from IAS 27; instead, all dividends from subsidiaries, jointly controlled companies, or associates are recognized as revenues in the separate financial statements of the investor when the right to receive dividends is established. The revised IAS 27 does not have any effect because the financial statements reported here are consolidated statements. Amendments will affect the separate financial statements as dividends will be recognized before they are paid out.
- **Amendment to IAS 39 Financial instruments: Recognition and measuring** (effective July 1st, 2009). The revised standard specifies the use of existing principles which determine whether or not special forms of cash flow risks or parts of cash flow may reflect hedge relationships. In order to do that, risks or parts must be measured and recognized separately, although inflation can only be determined under limited circumstances. The company has not yet fully analyzed the effects of this revision.
- **Revised IAS 27 Consolidated and separate financial statements** (effective July 1st, 2009). In the revised standard, the term “minority interest” is replaced with the term “non-controlling interest”, which is defined as “equity interest in controlled company that is not owned, directly or indirectly by the controlling company”. In addition, the revised standard changes the way non-controlling interests are treated, the loss of control over the subsidiary, and the division of profit or loss and total profits between the controlling and non-controlling interest. The company has not yet fully analyzed the effects of this revision.
- **IFRIC 13 Customer loyalty programs** (in effect since July 1st, 2008) addresses accounting by entities that implement or take part in customer loyalty programs. It applies to customer loyalty programs where customers are granted awards, such as free or discounted goods or services. It is expected that the company will apply IFRIC 13 to its 2009 financial statements.
- **Amendments to IAS 32 Financial instruments: Recognition and IAS 1 Presentation of financial statements** (in effect since January 1st, 2009). The revision introduces an exception to the principle used in IAS 32 to classify instruments as equity; the amendments allow certain marketable instruments issued by the company and normally classified as liability to be classified as equity, but only if certain conditions are met. These amendments do not have any effect on the company because it has never issued marketable instruments.

IV.5.4 DETERMINING FAIR VALUE

In accordance with the company's accounting policies, a measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described further on. Where additional explanations regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the company's individual assets or liabilities.

(a) Tangible fixed assets

The fair value of tangible fixed assets from business combinations is equal to their market value. The market value of plant, equipment, and small tools is based on the quoted market price of similar objects.

(b) Intangible assets

The fair value of other intangible assets is determined as the present value of projected future cash flows that are expected to arise from the use or potential sale of the assets.

(c) Operating and other receivables

The fair value of operating and other receivables is equal to the carrying value of future cash flows, discounted using the market interest rate at the reporting date.

(d) Derivative instruments

The fair value of forward contracts is equal to their quoted market price at the reporting date if the market price is available. If the market price is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the remaining maturity of the contract and using the risk-free interest rate (based on government bonds).

(e) Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at the market interest rate on the reporting date.

IV.5.5 RISK MANAGEMENT

GEN-I's prudent approach to risk management helps the Group maintain its high level of operational quality and is crucial for attaining its business goals. The use of standard methodology and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the GEN-I Group to major risks. A detailed description of individual risks and the appropriate risk management procedures is available in the business report.

IV.5.6 SEGMENT REPORTING

The Group had no defined geographical or business segments in 2008 and therefore does not use segment reporting.

IV.5.7 APPENDIXES WITH NOTES

Explanatory note 1: Intangible assets

Figures in €

Intangible assets	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Long-term deferred operating costs	153,244	32.1	83,749	27.2
Other intangible assets	324,246	67.9	194,954	63.2
Intangible assets under construction and development and advances	0	0.0	29,430	9.6
Total intangible assets	477,490	100.0	308,133	100.0

Intangible assets in the amount of EUR 477,490 include:

- Investments in tangible fixed assets owned by other entities (commercial premises) in the amount of EUR 153,244;
- Information technology and licenses in the amount of EUR 324,246 (mainly specialized software for electricity trading and sales).

Changes in intangible assets in 2007

Figures in €

Intangible assets	Long-term deferred operating costs	Other intangible assets	Intangible assets under construction and development and advances	Total
PURCHASE VALUE				
Balance at 1 Jan 2007	542	279,636	0	280,179
Other acquisitions	94,268	32,840	29,430	156,537
Balance at 31 Dec 2007	94,810	312,476	29,430	436,716
ALLOWANCE				
Balance at 1 Jan 2007	0	53,422	0	53,422
Depreciation expenses	11,061	64,100	0	75,162
Balance at 31 Dec 2007	11,061	117,522	0	128,584
Carrying amount at 1 Jan 2007	542	226,214	0	226,757
Carrying amount at 31 Dec 2007	83,749	194,954	29,430	308,133

Changes in intangible assets in 2008

Figures in €

Intangible assets	Long-term deferred operating costs	Other intangible	Intangible assets under construction and development and advances	Total
PURCHASE VALUE				
Balance at 1 Jan 2008	94,810	312,476	29,430	436,716
Other acquisitions	97,402	217,802	0	315,204
Other transfers	0	29,430	-29,430	0
Balance at 31 Dec 2008	192,212	559,708	0	751,920
ALLOWANCE				
Balance at 1 Jan 2008	11,061	117,522	0	128,583
Depreciation expenses	27,907	117,940	0	145,847
Balance at 31 Dec 2008	38,968	235,462	0	274,430
Carrying amount at 1 Jan 2008	83,749	194,954	29,430	308,133
Carrying amount at 31 Dec 2008	153,244	324,246	0	477,490

The EUR 315,204 increase in intangible non-current assets was a result of investments in tangible fixed assets owned by other entities in the amount of EUR 97,402 (commercial premises) and other intangible fixed assets in the amount of EUR 217,802 (mainly purchases of specialized software for electricity trading and sales).

Other explanatory notes of intangible assets

Figures in €

Depreciation/amortization per asset class	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Long-term deferred operating costs	27,907	11,061
Other intangible assets	117,940	64,101
Total	145,847	75,162

Explanatory note 2: Property, plant, and equipment

Figures in €

Property, plant, and equipment	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Other plant and equipment	307,089	100.0	236,068	90.1
Property, plant, and equipment under construction	0	0.0	25,895	9.9
Total property, plant, and equipment	307,089	100.0	261,963	100.0

Tangible fixed assets totaled EUR 307,089 and included purchases of:

- Office furniture and equipment in the amount of EUR 256,223
- A company vehicle in the amount of EUR 10,936
- Technical equipment and tools in the amount of EUR 39,930

Changes in 2007

Figures in €

Property, plant, and equipment	Other plant and equipment	Property, plant, and equipment under construction and in production	Total
PURCHASE VALUE			
Balance at 1 Jan 2007	47,025	0	47,025
Other acquisitions	245,981	25,895	271,876
Disposals	-3,904	0	-3,904
Balance at 31 Dec 2007	289,102	25,895	314,997
ALLOWANCE			
Balance at 1 Jan 2007	20,748	0	20,748
Disposals	-2,765	0	-2,765
Depreciation expenses	35,051	0	35,051
Balance at 31 Dec 2007	53,034	0	53,034
Carrying amount at 1 Jan 2007	26,277	0	26,277
Carrying amount at 31 Dec 2007	236,068	25,895	261,963

Changes in 2008

Figures in €

Property, plant, and equipment	Other plant and equipment	Property, plant, and equipment under construction and in production	Total
PURCHASE VALUE			
Balance at 1 Jan 2008	289,102	25,895	314,997
Other acquisitions	161,893	-25,895	135,998
Balance at 31 Dec 2008	450,995	0	450,995
ALLOWANCE			
Balance at 1 Jan 2008	53,034	0	53,034
Depreciation expenses	90,872	0	90,872
Balance at 31 Dec 2008	143,906	0	143,906
Carrying amount at 1 Jan 2008	236,068	25,895	261,963
Carrying amount at 31 Dec 2008	307,089	0	307,089

Investments in equipment totaled EUR 135,998 in 2008 and included purchases of:

- Office furniture in the amount of EUR 68,258
- Technical equipment in the amount of EUR 14,636
- Other equipment in the amount of EUR 53,104

Explanatory note 3: Investments in subsidiaries

Figures in €

Group companies	% Ownership		Investment value		Equity of subsidiary		Equity of owner		Assets of subsidiary	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
GEN-I d.o.o. Beograd	100.00%	100.00%	150,000	10,000	4,241,472	792,822	138,327	10,000	25,157,300	7,799,142
GEN-I Zagreb d.o.o.	100.00%	100.00%	2,724	2,724	119,819	2,724	2,719	2,724	9,007,643	4,666,503
GEN-I Budapest Kft.	100.00%	100.00%	203,915	203,915	1,298,760	168,372	187,477	197,021	12,528,817	928,659
GEN-I, d.o.o. Sarajevo	100.00%		512,847	0	511,292	0	511,292	0	522,973	0
GEN-I DOOEL Skopje	100.00%		20,000	0	-35,032	0	20,271	0	16,448	0
Total			889,486	216,639	6,136,311	963,918	860,086	209,745	47,233,181	13,394,304

Group companies	Subsidiary's liabilities		Subsidiary's revenues		Net profit or loss of the subsidiary		Number of employees at the subsidiary	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
GEN-I d.o.o. Beograd	20,915,828	7,006,320	77,942,238	23,854,915	3,710,248	778,473	2	1
GEN-I Zagreb d.o.o.	8,887,823	4,610,290	18,120,249	12,361,891	91,546	47,563	1	1
GEN-I Budapest Kft.	11,230,058	0	42,813,402	151,069	1,207,297	-28,649	1	0
GEN-I, d.o.o. Sarajevo	11,681	0	0	0	0	0	1	0
GEN-I DOOEL Skopje	51,950	0	0	0	-54,780	0	1	0
Total	41,097,340	11,616,610	138,875,889	36,367,875	4,954,311	797,387	6	2

In 2008, investments in subsidiaries increased by EUR 672,847 or 310% compared to the previous year due to setting up the subsidiaries GEN-I, d.o.o. Sarajevo and GEN-I DOOEL Skopje. The other two new subsidiaries, Gen-I Tirana Sh.p.k. and Gen-I Athens SMLLC (both fully owned by GEN-I, d.o.o.), were only registered with local authorities; immediate equity payments were not necessary.

Figures in €

Interests in subsidiaries	2008	2007
Opening balance at 1 Jan	216,639	12,723
Investments in subsidiaries	672,847	203,916
Closing balance at 31 Dec	889,486	216,639

Explanatory note 4: Non-current operating receivables and loans**Changes in non-current operating receivables**

Figures in €

Changes in non-current operating receivables	Operating receivables from others	
	2008	2007
Opening balance at 1 Jan	50,075	50,075
Closing balance at 31 Dec	50,075	50,075

Non-current operating receivables include a long-term deposit paid to the electricity exchange operator Borzen, organizator trga z električno energijo, d.o.o.

Explanatory note 5: Operating receivables

Figures in €

Operating receivables	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Receivables from customers - subsidiaries	12,104,515	15.5	7,178,515	22.5
Receivables from customers - others	49,419,947	63.2	15,628,483	48.9
Receivables from customers	61,524,462	78.7	22,806,998	71.4
Interest receivables from subsidiaries	89,441	0.1	14,378	0.0
Interest receivables from others	65,175	0.1	440	0.0
Interest receivables	154,616	0.2	14,818	0.0
Other operating receivables	12,665,988	16.2	3,221,428	10.1
Receivables from operations on third-party account	521	0.0	0	0.0
Advances paid	2,966,781	3.8	755,399	2.4
Short-term deferred costs and/or expenses	346,399	0.4	2,361,657	7.4
Short-term accrued revenues	548,525	0.7	2,795,278	8.7
Total operating receivables	78,207,292	100.00	31,955,578	100.00

Receivables from customers resulting from regular operations accounted for the largest share in operating receivables.

Most customers settled their receivables by the contractually agreed dates or with a slight delay. In the case of late payment, domestic and foreign customers were charged late payment interest at a contractually defined rate. With the exception of doubtful and disputed receivables, most of the company's outstanding receivables were settled by the time this report was prepared.

Receivables from customers that purchase electricity and cross-border capacity rights based on annual contracts are usually secured with bills of exchange or bank guarantees. These securities are used for receivables that exceed the limits set for individual customers. Receivables from customers that have signed EFET agreements with GEN-I are well-defined in these agreements. In some cases, the company does not request any security for its receivables because of the customers' strategic position and/or financial stability.

Impairment of receivables

Figures in €

Impairment of receivables in compliance with accounting policies	Total outstanding receivables	Receivables not yet due	Receivables due			
			31 Dec 2008	31 Dec 2008	Up to 90 days	91 to 180 days
Current trade receivables	61,744,513	47,705,061	9,234,072	4,442,341	310,206	52,834
Other current receivables	12,821,125	12,808,658	0	0	0	12,467
Current advances receivables	2,966,782	563,264	1,219,189	1,123,500	50,000	10,828
Total current receivables	77,532,420	61,076,983	10,453,261	5,565,841	360,206	76,129
Impairment of receivables	220,051	0	16,634	142,227	60,750	440
Doubtful and disputed receivables	57,091	0	23	492	14,187	42,389
Impairment of doubtful and disputed receivables	57,091	0	23	492	14,187	42,389
Total receivables	77,589,511	61,076,983	10,453,284	5,566,332	374,393	118,518
Total impairment of assets	277,142	0	16,657	142,719	74,937	42,829

In 2008, the company classified EUR 277,142 of its receivables as doubtful or disputed. It also initiated court action to collect debt or filed insolvency or liquidation procedures for receivables in the amount of EUR 57,091 and stated them separately. The remaining disputed receivables refer to outstanding receivables in the amount of EUR 220,051; based on information regarding the debtor's difficult solvency situation, the company does not expect to collect these amounts.

Changes in impairment of receivables

Figures in €

Impairment of receivables in compliance with the company's accounting policies	Impairment	Increase of impairment	Receivables write-off	Impairment
	Balance at 1 Jan 2008	Generated from 1 Jan to 31 Dec 2008		Balance at 31 Dec 2008
Current trade receivables	0	218,201	1,850	220,051
Doubtful and disputed receivables	0	57,091	0	57,091
Total	0	275,292	1,850	277,142

Figures in €

Current receivables	31 Dec 2008		31 Dec 2007	
	Gross amount	Impairment of receivables	Carrying amount	Carrying amount
Current trade receivables	61,744,513	-220,051	61,524,462	22,806,998
Other current receivables	12,821,125	0	12,821,125	3,236,246
Current advances receivables	2,966,782	0	2,966,782	755,399
Doubtful and disputed receivables	57,091	-57,091	0	0
Total	77,589,511	-277,142	77,312,369	26,798,643

The company impaired doubtful and disputed receivables in the amount of EUR 277,142. Impaired receivables from customers accounted for 0.3% of all current operating receivables.

Advances

Figures in €

Advances paid	31 Dec 2008	31 Dec 2007
Other advances	2,966,781	755,399
Total advances paid	2,966,781	755,399

The company's current advances include:

- Advances for current assets in the amount of EUR 829,311;
- Current deposits paid in the amount of EUR 2,137,470 (cross-border capacity rights auctions, a security deposit for a part of basic trading infrastructure on the German energy exchange (European Energy Exchange AG) and the Italian electricity exchange (GME – Gestore del Mercato Elettrico SpA)).

Explanatory note 6: Loans granted

Figures in €

Loans granted	31 Dec 2008	Share (%)	31 Dec 2007	Share (%)
Loans to subsidiaries	2,908,985	53.8	2,680,180	100.0
Loans to others	2,500,000	46.2	0	0.0
Total current investments and loans	5,408,985	100.0	2,680,180	100.0

Current loans in the amount of EUR 5,408,985 refer to loans granted to the following affiliates:

- Istrabenz Gorenje, d.o.o. in the amount of EUR 2,500,000
- GEN-I Zagreb d.o.o. in the amount of EUR 60,000
- GEN-I d.o.o. Beograd in the amount of EUR 1,100,000
- GEN-I Budapest Kft. in the amount of EUR 1,706,450
- GEN-I DOOEL Skopje in the amount of EUR 42,535

The interest rate charged on Istrabenz Gorenje d.o.o.'s loan was equal to the interest rate on loans to affiliates defined by the Rules on the recognized rate of interest (*Official Gazette of the Republic of Slovenia* no. 141/2006 dated December 30th, 2006). Interest rates used for other loans were determined in individual loan agreements.

Changes in loans

Figures in €

Changes in loans	Loans to subsidiaries		Loans to others	
	2008	2007	2008	2007
Opening balance at 1 Jan	2,680,180	359,998	0	0
Increase - approvals	6,857,805	2,891,182	2,500,000	0
Repayments - decreases	-6,629,000	-571,000	0	0
Closing balance at 31 Dec	2,908,985	2,680,180	2,500,000	0

Explanatory note 7: Interest and maturity of loans

Figures in €

Loans and deposits	Currency	31 Dec 2007	31 Dec 2008	6 To 12 months	Year of maturity of the last installment	Effective interest rate: fixed
GEN-I d.o.o. Beograd	EUR	129,000	1,100,000	1,100,000	2008	0.0000
GEN-I Zagreb d.o.o.	EUR	10,000	10,000	10,000	2009	3.0500
GEN-I Zagreb d.o.o.	EUR	50,000	50,000	50,000	2009	4.0300
GEN-I Budapest Kft.	EUR	591,180	591,180	591,180	2009	5.4500
GEN-I Budapest Kft.	EUR	0	1,115,270	1,115,270	2009	5.3790
GEN-I DOOEL Skopje	EUR	0	42,535	42,535	2009	6.5000
Istrabenz Gorenje d.o.o.	EUR	1,900,000	2,500,000	2,500,000	2009	6.1710
Total loans granted and deposits		2,680,180	5,408,985	5,408,985		

Explanatory note 8: Cash and cash equivalents

Figures in €

Cash and cash equivalents	31 Dec 2008	31 Dec 2007
Bank account balances	2,233,023	2,393,701
Cash in hand	177	21
Cash and cash equivalents	2,233,200	2,393,722
Total	2,233,200	2,393,722

The company's cash and cash equivalents include cash in hand, bank account balances, and call deposits with commercial banks. The carrying value of cash and cash equivalents equals their initial nominal value and, in the case of foreign currencies, may change in time due to exchange rate fluctuations.

Explanatory note 9: Equity and reserves

Equity and capital reserves consist of monetary contributions by owners of controlling companies and amounts that appear during current operations that belong to owners.

Reserves

Figures in €

Reserves	31 Dec 2008	31 Dec 2007
Legal reserves	488,192	227,390
Total	488,192	227,390

In line with provisions of the Companies Act (*Official Gazette of the Republic of Slovenia* no. 42/2006 dated April 19th, 2006), the company transferred EUR 260,802 of its net profit generated in the business year to legal reserves, increasing the balance of legal reserves as of December 31st, 2008 to EUR 488,192.

Retained earnings

In the 2008 business year, all profits from the previous year (EUR 2,628,199) were paid out to shareholders following a decision of the shareholder meeting that was held in April 2008.

Net profit in the business year amounted to EUR 5,216,024. In accordance with the law, a part of the net profit was used for creating legal reserves in the amount of EUR 260,802. Retained (distributable) profits as of December 31st, 2008 amounted to EUR 4,955,222 and included only profits from the 2008 business year.

Figures in €

Retained earnings	31 Dec 2008	31 Dec 2007
Net profit or loss for the period	4,955,222	2,628,199
Total	4,955,222	2,628,199

Based on Article 20 of the Memorandum of Association and Article 494 of the Companies Act, the company management submitted a proposal to the shareholder meeting, requesting that the entire distributable profit from the 2008 business year in the amount of EUR 4,955,222 be distributed to shareholders as follows:

- 50% or EUR 2,477,611 of the distributable profit to Istrabenz Gorenje, d.o.o.
- 50% or EUR 2,477,611 of the distributable profit to GEN energija, d.o.o.

Explanatory note 10: Non-current provisions**2007**

Figures in €

Provisions	Provisions for severance payments and long-service bonuses	Total provisions
Balance at 1 Jan 2007	28,226	28,226
Setting-up of provisions	7,875	7,875
Balance at 31 Dec 2007	36,101	36,101
Of which non-current	36,101	0

Figures in €

Provisions	Provisions for severance payments and long-service bonuses	Total provisions
Balance at 1 Jan 2008	36,101	36,101
Setting-up of provisions	8,544	8,544
Balance at 31 Dec 2008	44,645	44,645
Of which non-current	44,645	0

The company created provisions for severance payments and long-service bonuses based on the current value of its liabilities to employees. The amount of non-current provisions was determined based on an authorized actuary's calculation. As of December 31st, 2008, the company's non-current provisions amounted to EUR 44,645.

Changes in non-current provisions

Figures in €

Provisions	Provisions for severance payments and long-service bonuses	
	2008	2007
Opening balance at 1 Jan	36,101	28,226
Setting-up of provisions	8,544	7,875
Closing balance at 31 Dec	44,645	36,101
Of which non-current	44,645	36,101

Explanatory note 11: Deferred taxes

Figures in €

Deferred taxes relating to	Receivables		Liabilities		Net result	
	2008	2007	2008	2007	2008	2007
Property, plant, and equipment	23,542	12,356	0	0	23,542	12,356
Provisions for severance payments and long-service bonuses	8,469	7,076	0	0	8,469	7,076
Deferred tax assets (liabilities)	32,011	19,432	0	0	32,011	19,432
Net deferred tax assets (liabilities)	32,011	19,432	0	0	32,011	19,432

Deferred taxes account for the temporary difference between the carrying value of assets and liabilities for financial reporting and for taxation purposes. The deferred tax receivables stated in this report refer to the corporate income tax calculated based on temporary deductible differences, resulting in lower payments in future periods.

All of the company's deferred tax receivables are recognized in the profit and loss account. In 2008, the company recorded an increase in deferred tax receivables based on the following changes:

- Non-deductible tax provisions in the amount of 50% were created for severance payments and long-service bonuses;
- Provisions were created for the depreciation of fixed assets for which depreciation exceeded the amount deductible for tax purposes.

Changes in temporary differences

Figures in €

Changes in temporary differences in the period	31 Dec 2007	Disclosed in the profit and loss account	31 Dec 2008
Intangible assets	12,356	11,186	23,542
Provisions for severance payments and long-service bonuses	7,076	1,393	8,469
Total	19,432	12,579	32,011

As of December 31st, 2008, the company had EUR 32,011 in deferred receivables from taxes, comprising temporary differences from intangible non-current assets in the amount of EUR 23,542 and provisions for severance payments and long-service bonuses in the amount of EUR 8,469.

Explanatory note 12: Current financial liabilities

Figures in €

Current financial liabilities	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Loans from banks	14,082,098	100.0	4,655,000	99.6
Other financial liabilities	2,953	0.0	18,731	0.4
Total current financial liabilities	14,085,051	100.0	4,673,731	100.0

Current financial liabilities to banks in the amount of EUR 14,082,098 include short-term revolving loans with maturity periods of up to one year received from Slovene commercial banks; the company's short-term loan with a three-month maturity period is not included in this amount. The applicable interest rate for loans received was one-month or three-month EURIBOR with a minimal margin.

The company's other financial liabilities for interest totaled EUR 2,953.

Changes in current financial liabilities

Figures in €

Changes in current financial liabilities	Loans from banks		Other financial liabilities	
	2008	2007	2008	2007
Opening balance at 1 Jan	4,655,000	313,946	18,731	0
New loans – increase	9,427,098	4,341,054	-15,778	18,731
Closing balance at 31 Dec	14,082,098	4,655,000	2,953	18,731

In 2008, the company's financial liabilities for loans received increased by EUR 9,427,098 and its other financial liabilities decreased by EUR 15,778 compared to the year before.

Explanatory note 13: Current operating liabilities

Figures in €

Current operating liabilities	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Current advances payable	884,072	1.5	74,104	0.3
Current trade payables	31,692,606	52.8	11,846,360	53.1
Current trade payables to subsidiaries	15,189,961	25.3	9,156,500	41.0
Current payables from operations for third-party account	535	0.0	263	0.0
Current payables to employees	238,602	0.4	156,908	0.7
Current payables to state and other institutions	11,158,923	18.5	505,039	2.2
Current payables to others	9,046	0.0	58,373	0.3
Current payables	59,173,745	98.5	21,797,547	97.6
Accrued costs and deferred revenue	885,973	1.5	526,352	2.4
Current operating liabilities	60,059,718	100.0	22,323,899	100.0

Current advances payable refer to advances received for electricity sales to domestic and foreign entities.

Current trade payables mainly include current liabilities to electricity suppliers and electricity-related variable costs.

Current trade payables to subsidiaries include liabilities for electricity purchased and services rendered.

Current payables to employees comprise liabilities for December salaries and other employee earnings.

Current payables to state and other institutions include liabilities for VAT payments, excise duties, health and pension contributions for December salaries, and contributions for other employee earnings payable by the employer.

Accrued costs and deferred revenues

Figures in €

Accrued costs and deferred revenues	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Short-term accrued costs	885,973	100.0	526,352	100.0
Total	885,973	100.0	526,352	100.0

Accrued costs and deferred revenues include only accrued costs or expenses in the amount of EUR 885,973. Although the company had not received invoices for these costs by the time the financial statements were prepared, they were still considered in the statements based on contracts signed in 2008.

Accrued costs included:

- Green certificate purchases in the amount of EUR 174,476
- Electricity purchases in the amount of EUR 61,963
- Expenses arising from differences between the expected electricity supply and consumption according to schedules and actual realization in the amount of EUR 362,897
- Consulting services in the amount of EUR 26,200
- VAT on advances paid in the amount of EUR 94,512
- Cross-border transfer capacity purchases in the amount of EUR 124,574
- Software and computer equipment maintenance costs in the amount of EUR 37,961
- Other operating expenses in the amount of EUR 3,390

Explanatory note 14: Contingent liabilities

Figures in €

Contingent liabilities	31 Dec 2008	31 Dec 2007
Guarantees and securities - others	23,882,166	24,264,113
Guarantees and securities - subsidiaries	1,038,000	4,001,127
Total	24,920,166	28,265,240

The company's off-balance sheet items include payment guarantee instruments (bank guarantees issued and received).

Bank guarantees and securities include payment guarantees, performance guarantees, and tender guarantees. Securities issued to subsidiaries refer to securities for timely and reliable payment.

Explanatory note 15: Cost and maturity of loans

Figures in €

Financial liabilities	Currency	Loans 31 Dec 2007	Interests 2008	Loans 31 Dec 2008	Liabilities at the last day after maturity		Year of maturity of the last installment	Nominal interest rate	Insured part	Description of insurance
					Up to 6 months	6 to 12 months				
Loans from banks (NLB)	€	0		2,000,000	2,000,000		2009	1M EURIBOR +2.25%	2,000,000	10 blank bills of exchange, guarantee
Loans from banks (HYPO)	€	4,279,711	274,568	3,609,330		3,609,330	2009	3M EURIBOR +1.45%	3,609,330	10 blank bills of exchange
Loans from banks (NLB)	€	394,020	282,820	8,475,721		8,475,721	2009	1M EURIBOR +1.6%	8,475,721	10 blank bills of exchange
Total financial liabilities		4,673,731	557,388	14,085,051	2,000,000	12,085,051			14,085,051	0

Explanatory note 16: Fair values

Figures in €

Fair values	31 Dec 2008		31 Dec 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial receivables	7,200	7,200	3,600	3,600
Non-current operating receivables	50,075	50,075	50,075	50,075
Current loans	5,408,985	5,408,985	2,680,180	2,680,180
Operating receivables	78,207,292	78,207,292	31,955,578	31,955,578
Cash and cash equivalents	2,233,200	2,233,200	2,393,722	2,393,722
Liabilities for loans at variable interest rates	-14,085,051	-14,085,051	-4,673,731	-4,673,731
Current operating liabilities	-60,059,718	-60,059,718	-22,323,899	-22,323,899
TOTAL	11,761,983	11,761,983	10,085,525	10,085,525

Explanatory note 17: Revenues

The company's revenues include operating, financial, and other revenues.

Operating revenues

Figures in €

Operating revenues	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Revenues from sale of services	27,759	573,026
Revenues from rents	11,235	9,060
Revenues from goods and materials sold	320,705,881	148,125,724
Other operating revenues	142,203	0
Total	320,887,078	148,707,810

Revenues from electricity sales in Slovenia and abroad accounted for the majority of the company's net sales revenues.

Net sales revenues included sales of goods and materials in:

- Non-EU markets: EUR 19,989,502
- EU markets: EUR 109,591,915
- Slovenia: EUR 191,124,464

Revenues from rents totaled EUR 11,235 and revenues from services totaled EUR 27,759.

Other operating revenues included the reversal of provisions and operating revenues from revaluation.

Figures in €

Revenues generated in Slovenia or abroad	Domestic	Foreign	Total
	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2008
Revenues from sale of services	30	27,729	27,759
Revenues from rents	1,100	10,135	11,235
Revenues from goods and materials sold	191,124,464	129,581,417	320,705,881
Total	191,125,594	129,619,281	320,744,875

In 2008, revenues from goods and materials sold in Slovenia accounted for 59.59% of total revenues, and revenues from goods and materials sold in foreign markets for 40.40% of all revenues. Revenues from rents and sale of services in the domestic market were negligible, amounting to just 0.01% of total revenues.

Other operating revenues

Figures in €

Other operating revenues	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Operating revenues from revaluation	227	0
Other operating revenues	141,976	0
Total	142,203	0

Operating revenues from revaluation amounted to EUR 227 in 2008. Other operating revenues included the reversal of provisions for cross-border transfer capacities in 2007 in the amount of EUR 141,976.

Expected revenues from rents

Figures in €

Expected revenues from rents	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Expected revenues from rents of up to 1 year	11,236	9,060
Total	11,236	9,060

Explanatory note 18: Cost of goods, materials, and services

Figures in €

Cost of materials	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Cost of energy	38,583	8,518
Materials and spare parts	24,964	0
Office supplies	35,382	31,270
Other cost of materials	0	37,840
Total	98,929	77,628

In 2008, the company's energy costs increased significantly compared to the previous year because of its increased business volumes. The costs of materials and spare parts also increased, whereas office supplies costs remained almost unchanged. The company did not incur any other costs of materials in 2008.

Cost of services

Figures in €

Cost of services	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Maintenance	26,808	32,113
Rents	473,574	326,166
Bank charges and other fees	228,389	98,928
Intellectual services	530,209	274,851
Outsourcing partners, contractual work, and student temporary work	160,925	122,089
Advertising, sales promotion, and public relations	98,559	33,620
Insurance	46,709	10,366
Entertainment	35,829	24,102
Cost of employees' business trips	37,213	42,511
Telecommunications	11,070	4,852
Public utility services	754	385
Safety	0	82
Cleaning	9,781	6,809
Training	27,075	10,955
Other services	327,976	3,398,389
IT costs	152,139	10,908
Total	2,167,010	4,397,126

Costs of rents totaling EUR 473,574 mainly refer to rents paid for company offices, the lease and maintenance of computer equipment, and costs of rental vehicles.

Costs of intellectual services amounted to EUR 530,209 and included human resource services (consulting, selection of candidates), legal and notary fees, auditing and accounting services, actuarial services, and various training and business consultancy services.

Advertising costs amounted to EUR 98,559 in 2008.

Insurance costs in the amount of EUR 46,709 included insurance premiums for car insurance, additional insurance for employees, and collective additional pension insurance.

Entertainment costs in 2008 amounted to EUR 35,829.

The company invested EUR 27,075 in training activities for its employees in 2008.

Costs of outsourcing partners, contractual work, and student temporary work in 2008 totaled EUR 160,925.

Computer services and maintenance costs amounted to EUR 178,947 in 2008.

Bank charges and other fees totaled EUR 228,389 in 2008.

Costs of other services in the amount of EUR 327,976 mainly included membership fees and administrative charges. Compared to 2007, costs of other services decreased significantly, mainly because the company no longer used priority dispatching services offered by the Ljubljana cogeneration plant (TE-TOL), which amounted to EUR 2,799,996 in 2007.

Other costs of services amounted to EUR 58,818 and included employees' business trips, telecommunication services, public utility services, and training activities.

Costs of the auditing firm KPMG Slovenija, Ljubljana

Figures in €

Costs of auditing services	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 007
Auditing of annual reports	28,082	11,430
Other cost of auditing	600	1,455
Total	28,682	12,885

Costs of auditing and inspection services include an audit of the company's annual reports and other services provided by KPMG Slovenija, podjetje za revidiranje, d.o.o. Costs of annual report audits refer to 2007 and 2008.

Explanatory note 19: Labor costs

Figures in €

Labor cost	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Wages and salaries	1,804,818	810,466
Social security contribution	265,293	340,992
Other labor cost	170,123	208,354
Total	2,240,234	1,359,812

Labor costs include wages and salaries, social security contributions, additional pension insurance, and other labor costs (allowances for meal expenses, transportation costs to and from work, annual leave pay, long-service bonuses, etc.).

In 2008, GEN-I, d.o.o. calculated labor costs in accordance with the Collective Agreement for the Slovene Electricity Industry, the company's current job classification, and individual employment contracts (six of which were signed in 2008).

Average number of employees by education level

Average number of employees by education level	2008	2007
4-year secondary school	10	5
Vocational college	9	2
Bachelor's degree	24	19
Master's degree	2	2
Doctorate	2	2
Total	47	30

In 2008, the number of employees increased by 56.6% compared to the year before.

Employee benefits

Figures in €

Employee benefits	31 Dec 2008	31 Dec 2007
Liabilities based on actuarial calculations	44,645	36,101
Total	44,645	36,101

Explanatory note 20: Depreciation

Figures in €

Amortization and depreciation	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Amortization of intangible assets	145,847	75,162
Depreciation of property, plant, and equipment	90,872	35,051
Total	236,719	110,213

Assets are depreciated individually using the straight-line depreciation method and, in the case of some investments in fixed assets owned by others, using the accelerated depreciation method. In 2008, depreciation amounted to EUR 236,719.

Explanatory note 21: Other operating expenses

Figures in €

Other operating expenses	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Loss from the sale of fixed assets and intangible assets	0	339
Donations	4,000	11,654
Setting-up of provisions for severance payments and long-service bonuses	8,543	7,876
Contributions to political parties, trade unions, etc.	2,000	0
Other operating expenses	127,885	80,247
TOTAL	142,428	100,116

Other operating expenses include membership fees, fixed costs of trading platforms, provisions, and other expenses.

Explanatory note 22: Financial revenues and expenses

Figures in €

Profit or loss from financing	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Interest revenues	455,048	958,823
Net financial revenues	455,048	958,823
Interest expenses	-557,487	-3,073,188
Net foreign exchange loss	-106	0
Net change (expenses) in fair value of financial assets through P/L	-1,882,349	0
Impairment of receivables	-277,142	-1,850
Net financial expenses	-2,717,084	-3,075,038
Profit or loss from financing	-2,262,036	-2,116,215

The company's financial revenues from interest amounted to EUR 455,048 and included revenues from loans and interest on deposits. Expenses from interest to others refer to loans received from banks in the amount of EUR 557,487.

The net profit or loss from exchange rate differences amounted to a loss of EUR 106.

In addition to bilateral purchase and sale agreements (for electricity delivered at a fixed price that is determined beforehand), GEN-I, d.o.o. uses various financial instruments to cover open positions in its trading

portfolio. In 2008, the company's portfolio again included EEX futures standardized derivative instruments, which are traded on the German electricity exchange EEX (European Energy Exchange AG). Because of the immediate financial settlement, profit or loss from these instruments is realized at the time their value changes and not in the period to which they actually refer.

In order to protect purchase and sale agreements concluded in the Italian electricity market, the company signed several bilateral long-term financial agreements with various Italian partners, linking their effect to electricity exchange prices in the relevant Italian regions. The financial result of these agreements depended on the difference between the agreed contractual price and the national price (PUN) achieved on the Italian electricity exchange IPEX (GEM - Gestore del Mercato Elettrico SpA). In this way, the company reduced risks associated with unforeseen changes in Italian electricity exchange prices.

The net result from the use of derivative financial instruments in 2008 was a loss in the amount of EUR 1,882,349.

Write-offs refer to impairments and write-offs of receivables due to customers' inability to settle their obligations. The company has established criteria for evaluating individual debtors and the company's risk exposure, monitoring them regularly in order to determine their future status. The company has also established criteria based on which receivables from certain debtors are handed over to the unit responsible for disputed receivables. If the company finds that exposure to individual debtors can be restructured in a satisfactory way, it prepares an appropriate restructuring plan and then monitors its execution and results. If debtors file insolvency procedures, the company makes sure that the relevant departments and outsourcing partners are involved in the process of collecting insurance (if the company's exposure was insured).

Based on internal guidelines, the company has defined several different impairment categories. The need for impairment is assessed based on past experience with individual partners and future expected inflows from these partners. The company's impairment criteria include the following:

- Payments of operating receivables delayed more than 180 days;
- Publicly known cash flow difficulties;
- Breach of business contracts or conditions;
- Insolvency or other legal procedures that may result in loss for the company.

Explanatory note 23: Taxes

Figures in €

Taxes	2008	2007
Current tax	1,578,707	866,642
Deferred tax	-12,579	-8,134
Total	1,566,128	858,508

In 2008, the company reported income tax in the amount of EUR 1,578,707 and deferred tax receivables in the amount of EUR 12,579.

Deferred tax receivables totaling EUR 12,579 include additional provisions for severance payments and long-service bonuses in the amount of EUR 8,469 and depreciation of intangible fixed assets not recognized for tax purposes in the amount of EUR 4,110. Taxes were calculated using a 21% tax rate applicable in 2009.

At the balance sheet date, the company recorded a total of EUR 32,011 in deferred tax receivables from the state.

Figures in €

	2008	2007
Gross profit before tax	6,782,152	3,719,192
Applicable tax rate	22%	23%
Income tax at applicable tax rate, prior to changes in tax base	1,492,073	855,414
Non-deductible expenses	85,170	6,710
Tax reduction	-12,266	-7,191
Other differences	1,151	3,575
Effective tax rate	23.09%	23.08%
Current and deferred income tax	1,566,128	858,508

Transactions with affiliates**Remuneration of management board members**

Figures in €

2007 Remuneration of management board members	Gross				Total
	Fixed part of remuneration	Variable part of remuneration	Profit share	Other remuneration	
President of the Management Board	24,000	15,000	27,318	0	66,318
Vice President of the Management Board	0	14,600	2,276	0	16,876
Member of the Management Board Responsible for Sales	98,870	0	47,807	5,107	151,783
Member of the Management Board Responsible for Trading	97,750	0	47,807	7,244	152,802
Total	220,620	29,600	125,208	12,351	387,779

2008 Remuneration of management board members	Gross				Total
	Fixed part of remuneration	Variable part of remuneration	Profit share	Other remuneration	
President of the Management Board	24,000	64,374			88,374
Vice President of the Management Board		36,587			36,587
Member of the Management Board Responsible for Sales	110,077	109,478		4,707	224,262
Member of the Management Board Responsible for Trading	109,992	109,478		296	219,766
Total	244,069	319,917	0	5,003	568,989

Explanatory note 24: Data on groups of persons**Gross earnings in 2007**

Figures in €

Data on groups of persons	Management board	Employees under individual employment agreements
Wages and salaries	374,333	28,735
Fringe benefits and other remuneration	13,446	144
Total	387,779	28,879

Gross earnings in 2008

Figures in €

Data on groups of persons	Management board	Employees under individual employment agreements
Wages and salaries	203,444	175,574
Fringe benefits and other remuneration	365,545	41,773
Total	568,989	217,347

IV.5.8 RISK MANAGEMENT

Explanatory note 25: Credit risk

Figures in €

Items	31 Dec 2008	31 Dec 2007
Non-current financial assets	27,200	3,600
Non-current operating receivables	50,075	50,075
Current receivables	77,157,752	26,783,825
Current interest receivables	154,616	14,818
Current loans	5,408,985	2,680,180
Cash and cash equivalents	2,233,200	2,393,722

Credit risk by regions in which the company operates

Figures in €

Receivables	Carrying amount	
	2008	2007
Domestic	32,646,576	8,485,559
Euro-zone countries	20,545,808	7,125,078
Countries of the former Yugoslavia	8,332,078	6,176,265
Other regions	0	1,020,096
Total	61,524,462	22,806,998

Credit risk by customers

Figures in €

Receivables	Carrying amount	
	2008	2007
Wholesale customers	49,009,908	18,168,619
Retail customers	12,514,554	4,638,379
Total	61,524,462	22,806,998

Explanatory note 26: Liquidity risk
2007

Figures in €

Financial liabilities	Carrying amount	Contractual cash flows	Up to 6 months	6 to 12 months
Non-derivative financial liabilities				
Secured bank loans	4,655,000	4,673,731	0	4,673,731
Trade and other payables	21,797,549	21,797,549	21,797,549	0
Total	26,452,549	26,471,280	21,797,549	4,673,731

2008

Figures in €

Financial liabilities	Carrying amount	Contractual cash flows	Up to 6 months
Non-derivative financial liabilities			
Secured bank loans	14,082,098	14,085,051	14,085,051
Trade and other payables	59,173,745	59,173,745	59,173,745
TOTAL	73,255,843	73,255,843	73,258,796

Explanatory note 27: Currency risk

Figures in €

Receivables, payables	31 Dec 2007
Trade receivables	22,806,998
Secured bank loans	-4,655,000
Trade payables	-21,002,860
Gross balance sheet exposure	-2,850,862
Estimated forecast sales	103,290,853
Estimated forecast purchases	-98,140,498
Gross exposure	5,150,355
Net exposure	2,299,493

Figures in €

Receivables, payables	31 Dec 2008
Trade receivables	61,524,462
Secured bank loans	-14,085,051
Trade payables	-46,882,567
Gross balance sheet exposure	556,844
Estimated forecast sales	331,784,650
Estimated forecast purchases	-321,814,018
Gross exposure	9,970,632
Net exposure	10,527,476

Explanatory note 28: Interest risk

Figures in €

Financial instruments	Carrying amount	
	2008	2007
Fixed rate instruments		
Financial assets	4,308,985	2,551,180
Variable rate instruments		
Financial liabilities	14,085,051	4,655,000

IV.6

STATEMENT BY THE MANAGEMENT BOARD

The management board hereby certifies that this annual report and all of its components were prepared and published in accordance with the Companies Act and the International Financial Reporting Standards.

The management board certifies the financial statements of GEN-I, d.o.o. for the business year that ended on December 31st, 2008 and the appendixes with notes on the financial statements as defined in the accounting report.

The management board certifies that all relevant accounting principles were consistently used in drafting the company's financial statements. Accounting estimates were prepared according to principles of prudence and due diligence. The management certifies that this annual report provides a fair and true account of GEN-I, d.o.o.'s assets and performance in 2008.

The financial statements with notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Martin Novšak
Vice President of the Management Board



Robert Golob, PhD
President of the Management Board



Krško, March 17th, 2009

IV.7

CERTIFIED AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholders of GEN-I, trgovanje in prodaja električne energije, d.o.o.

We have audited the accompanying financial statements of the company GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško which comprise the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

Irena Uršič, B.Sc.Ec.
Certified Auditor

Ljubljana, 24 March 2009

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
Partner

KPMG Slovenija, d.o.o.

This auditor's report is a translation of the original auditor's report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and shall not be signed.

IV.8

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The amount of electricity acquired determines the amount of electricity supplied. And vice versa.







The effectiveness of coordination depends on experience and knowledge.



V.1

INTRODUCTION

The GEN-I Group, for which the consolidated financial statements are prepared, includes the parent company GEN-I, d.o.o. Ljubljana and the following fully owned subsidiaries:

- GEN-I d.o.o. Beograd
- GEN-I Zagreb d.o.o.
- GEN-I Budapest Kft.
- GEN-I, d.o.o. Sarajevo
- GEN-I DOOEL Skopje
- GEN-I Tirana Sh.p.k.
- GEN-I Athens SMLLC

V.2

THE GROUP'S FINANCIAL STATEMENTS

V.2.1 CONSOLIDATED BALANCE SHEET

Figures in €

Items	Explanatory note	31 Dec 2008	31 Dec 2007
Property, plant, and equipment	2	307,881	263,152
Intangible assets	1	477,490	308,133
Other investments including derivatives	3	27,201	257,592
Non-current operating receivables and loans	4	50,075	0
Deferred tax assets	11	32,011	19,432
Non-current assets		894,658	848,309
Operating receivables	5	79,283,136	29,713,085
Other investments including derivatives	6	4,325,504	2,499,292
Income tax receivables		0	55,403
Cash and cash equivalents	8	4,603,302	3,972,458
Current assets		88,211,942	36,240,238
Assets		89,106,600	37,088,547
Called-up capital		8,000,000	8,000,000
Legal reserves		488,192	89,064
Retained earnings		10,751,142	3,618,192
Translation reserve		-565,820	-30,910
Equity	9	18,673,514	11,676,346
Non-current provisions	10	44,645	36,101
Non-current liabilities		44,645	36,101
Current financial liabilities	12	14,128,821	4,655,000
Current operating liabilities	13	56,259,620	20,721,100
Current liabilities		70,388,441	25,376,100
Total liabilities		70,433,086	25,412,201
Total equity and liabilities		89,106,600	37,088,547

V.2.2 CONSOLIDATED PROFIT AND LOSS ACCOUNT

Figures in €

Items	Explanatory note	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Sales revenues	17	377,964,839	153,748,230
Other operating revenues	17	184,238	213,363
Cost of goods, materials, and services	18	-360,744,083	-142,075,494
Cost of goods sold		-357,949,439	-140,011,871
Cost of materials		-130,319	-78,073
Cost of services		-2,664,325	-1,985,550
Labor cost	19	-2,459,493	-1,428,301
Depreciation and amortization	20	-236,761	-110,327
Other operating expenses	21	-343,364	-3,642,021
Operating profit or loss		14,365,376	6,705,450
Revenues from investments		78,744	550
Revenues from interest, foreign exchange differences, and other financial revenues		733,081	1,427,773
Financial revenues from revaluation of investments		0	1,585
Financial revenues	22	811,825	1,429,908
Expenses for interest, foreign exchange differences, and other financial expenses		-2,446,706	-3,511,212
Impairment of assets		-277,142	-2,188
Financial expenses	22	-2,723,848	-3,513,400
Profit or loss from financing		-1,912,023	-2,083,492
Profit before tax		12,453,353	4,621,958
Income tax expenses	23	-2,289,504	-942,899
Net profit or loss for the period	9	10,163,849	3,679,059

V.2.3 CONSOLIDATED CASH FLOW STATEMENT

Figures in €

Items	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Cash flows from operating activities		
Net profit or loss for the period	10,163,849	3,679,059
Adjustments for:	0	0
Depreciation and amortization	236,761	110,327
Reversal of negative goodwill	-10,027	-396
Reversal of write-offs and liabilities write-offs	-227	0
Financial revenues	-811,825	-1,429,908
Financial expenses	2,446,706	3,513,400
Income tax	2,289,504	942,899
Operating profit before changes in net operating current assets and taxes	14,314,741	6,815,381
Changes in operating current assets and provisions		
Changes in receivables	-49,566,783	-18,436,312
Changes in operating liabilities	35,285,604	12,445,344
Changes in provisions	8,544	7,875
Income tax paid	-2,246,680	-998,302
Net cash flow from operating activities	-2,204,574	-166,014
Cash flow from investing activities		
Interest received	-7,426,791	520,690
Proceeds from sale of property, plant and equipment, and intangible assets	0	1,139
Receipts from decrease in loans given	2,500,000	
Acquisitions of property, plant and equipment, and intangible assets	-452,038	-429,716
Acquisitions of other investments	-23,600	-157,457
Expenses for increasing loans given	-4,326,213	-2,139,294
Payment for settlement of derivatives	-1,882,349	-2,012,709
Net cash from investing activities	-11,610,991	-4,217,347
Cash flows from financing activities		
Interest paid	7,873,832	-580,185
Expenses for repaying short-term loans	-132,754,669	-66,720,332
Receipts from short-term loans received	142,228,490	71,058,522
Exchange rate differences	-273,045	77,968
Change in equity	0	5,686,581
Dividends paid	-2,628,199	-1,666,049
Net cash from financing activities	14,446,409	7,856,505
Cash and cash equivalents at the beginning of the period	3,972,458	499,313
Net increase in cash and cash equivalents	630,844	3,473,145
Cash and cash equivalents at the end of the period	4,603,302	3,972,458

V.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in 2007

Figures in €

Events regarding capital	Share capital	Share premium	Legal reserve	Translation reserve	Retained earnings	Majority interest	Total equity
Balance at 1 Jan 2007	4,172,926	-2,086,463	89,064	0	1,717,106	3,892,633	3,892,633
Net profit or loss for the period					3,679,061	3,679,061	3,679,061
Total recognized revenues and expenses	0	0	0	0	3,679,061	3,679,061	3,679,061
Entry of share capital	3,827,074					3,827,074	3,827,074
Entry of share premium		2,086,463				2,086,463	2,086,463
Dividend (shares) payout					-1,666,049	-1,666,049	-1,666,049
Other eliminations (decreases) of equity items				-30,910	-111,926	-142,836	-142,836
Balance at 31 Dec 2007	8,000,000	0	89,064	-30,910	3,618,192	11,676,346	11,676,346

Changes in 2008

Figures in €

Events regarding capital	Share capital	Legal reserve	Translation reserve	Retained earnings	Majority interest	Total equity
Balance at 1 Jan 2008	8,000,000	89,064	-30,910	3,618,192	11,676,346	11,676,346
Net profit or loss for the period		260,802		9,903,045	10,163,847	10,163,847
Consolidated foreign exchange differences			-534,434		-534,434	-534,434
Total recognized revenues and expenses	0	260,802	-534,434	9,903,045	9,629,413	9,629,413
Dividend (shares) payout				-2,628,199	-2,628,199	-2,628,199
Other additions (increases) of equity items		138,326		-138,326	0	0
Other eliminations (decreases) of equity items			-476	-3,570	-4,046	-4,046
Balance at 31 Dec 2008	8,000,000	488,192	-565,820	10,751,142	18,673,514	18,673,514

V.3

APPENDIXES WITH NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

V.3.1 THE REPORTING COMPANY

GEN-I, d.o.o. (hereinafter referred to as: the company) is a Slovene company with headquarters at Cesta 4. julija 42, SI-8270 Krško, Slovenia. The GEN-I Group's consolidated financial statements for the business year that ended on December 31st, 2008 include data on the parent company GEN-I, d.o.o. and its subsidiaries (hereinafter jointly referred to as: the GEN-I Group).

As the controlling company, GEN-I, d.o.o. is obliged to produce consolidated financial reports according to Regulation (EC) No. 1606/2002 of the European Parliament and the Council, and according to International Financial Reporting Standards (hereinafter referred to as: IFRS).

V.3.2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial reports are prepared in accordance with International Financial Reporting Standards (IFRS) and the explanatory notes published by the International Accounting Standards Board (IASB) and adopted by the European Commission. The financial statements were approved by the company's management on March 17th, 2009.

(b) Measuring basis

The consolidated accounting reports are compiled on a historical cost basis, except in the following cases where fair value is used:

- Derivative financial instruments;
- Financial instruments at fair value in the profit and loss account.

(c) Functional and presentation currency

The consolidated financial statements are expressed in euro, GEN-I, d.o.o.'s functional currency. All accounting data presented in euro is rounded off to the nearest integer.

(d) Use of estimates and judgments

When preparing financial statements, the company's management was required to make judgments, estimates, and assumptions that affected the application of accounting policies and the reported values of assets, liabilities, revenues, and expenses in accordance with IFRS.

Estimates and assumptions mainly refer to:

- Estimated useful lives of amortizable assets;
- Asset impairment;
- Employee earnings and provisions.

Because future events and their effects cannot be predicted with absolute certainty, accounting estimates must be based on assessments. Accounting estimates can change as a result of events, experiences, additional information, and changes in the Group's business environment. Actual results may vary from estimated values.

The estimates and underlying assumptions are reviewed on a continuing basis. They are based on historical experience and various other factors that are believed to be reasonable under the circumstances, forming the basis for assessments about carrying values of assets and liabilities.

V.3.3 SIGNIFICANT ACCOUNTING POLICIES

Companies of the GEN-I Group consistently applied the accounting policies described below for all periods presented in the consolidated financial statements.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the

entity so as to derive benefits from its activities. The Group's influence is assessed based on the existence and effect of potential voting rights currently exercisable or convertible. Financial statements of subsidiaries are included in the consolidated reports from the date when control starts to the date it ceases. Accounting policies applied by the subsidiaries are adjusted to the Group's accounting policies.

Transactions eliminated on consolidation

Balances and unrealized profits or losses that arise from transactions within the GEN-I Group were not included in the consolidated financial reports. Unrealized profits from transactions with jointly controlled entities are eliminated only to the extent of the GEN-I Group's share in them. Unrealized losses are eliminated in the same way as profits, provided that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

The consolidated financial statements are expressed in euro, the controlling company's domestic and reporting currency. Items referring to individual subsidiaries included in the Group's financial statements are measured using the currency of the original economic environment in which they operate ("domestic currency"). The profit or loss and financial position of the companies that use a currency different from the Group's presentation currency are translated into the reporting currency as follows:

- Assets and liabilities in each balance sheet presented are translated using the exchange rate of the European Central Bank (ECB) in effect at the balance sheet day;
- Revenues and expenses in each profit and loss statement presented are translated using the average exchange rate of the European Central Bank;
- Any exchange rate differences are recognized as a separate component of equity (translation differences).

Exchange rate differences arising from translations of net foreign financial investments, debt, and other currency instruments selected for hedging these items are reported as translation differences of consolidated equity.

Foreign currency transactions are converted into the functional currency of the companies within the Group using the exchange rate in effect at the day

of their occurrence. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applied at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Positive or negative exchange differences resulting from this are recognized in the profit and loss account.

Foreign operations

Assets and liabilities of foreign operations are converted into euro using the exchange rate applicable at the balance sheet date. Revenues and expenses of foreign operations are converted into euro using the average exchange rate. Any resulting exchange rate differences are recognized directly in equity. Since January 1st, 2004, these differences have been recognized in the foreign currency translation reserve (FCTR). If a foreign operation is disposed of (in part or in full), the relevant amount in the FCTR is transferred to the profit and loss account.

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in capital, operating and other receivables, cash and cash equivalents, loans received and given, as well as operating and other liabilities. Non-derivative financial instruments are initially recognized at their fair value increased by any costs directly associated with the transaction.

Cash and cash equivalents include cash in hand and cash balances. Bank overdrafts repayable on demand which form an integral part of the Group's cash management are included as a component of monetary assets and their equivalents in the cash flow statement.

Other non-derivative financial instruments are stated at repayment cost using the effective interest rate method, reduced by impairment losses.

Derivative financial instruments

Derivative financial instruments are used to protect the Group from market and currency risks.

Derivative financial instruments are initially recognized at fair value; any transaction costs are

recognized in the profit and loss account. After initial recognition, derivative financial instruments are measured at fair value. Any profit or loss arising from the remeasuring of fair value is recognized in the profit and loss statement.

To minimize market risks caused by electricity price fluctuations, the Group uses forward contracts and a number of different financial trading instruments. To minimize currency risks, the Group mostly uses forward currency contracts.

To reduce markets risks arising from electricity prices and currency risks, the Group uses non-standardized forward contracts; these are agreements on the sale or purchase of a basic instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The price of forward transactions is determined based on the basic financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardized forward contract is equal to the difference between the current price of a basic instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity period of the contract depending on changes in current market prices and the remaining duration of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized forms are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction – they only need to agree on the price of individual forward contracts. Contracts are negotiated without the physical presence of the goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts on the other hand are not liquid because there is hardly any exchange taking place with these contracts. When trading forward contracts, the Group must deposit a security coverage

with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

Equity

The Group's total equity includes called-up capital, legal reserves, and retained profit or loss from previous periods.

(d) Plant and equipment

Recognition and measurement

Tangible fixed assets are stated at acquisition value, reduced by revaluation adjustments. The acquisition value of assets includes costs that can be directly attributed to their procurement. Any computer software which contributes significantly to the assets' functionality is capitalized as part of the assets. Borrowing costs for the purchase or construction of these assets are recognized in the profit and loss account at the time of their occurrence.

Parts of tangible fixed assets that have different useful lives are accounted for as separate fixed asset items.

Profit or loss from the disposal of tangible fixed assets is defined as the difference between revenues from the disposal and the asset's carrying value, and is recognized in the profit and loss account as »other operating revenues«.

Subsequent costs

Expenses arising from the replacement of parts of tangible fixed assets are recognized at carrying value if future economic benefits for the Group associated with a part are likely to increase and if its acquisition value can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in the profit and loss account immediately at the time of their occurrence.

Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are classified as inventory and recognized as costs in the profit and loss account. Spare parts and equipment of significant value with estimated useful lives of more than one year are recognized as tangible fixed assets.

Depreciation

Depreciation is calculated using the straight-line depreciation method and is based on the useful life

of the individual tangible fixed asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 to 5 years;
- Furniture and built-in equipment 4 to 5 years;

Depreciation methods, useful lives, and other values are reviewed at the reporting date. Estimates regarding fixed assets were not revised in the 2008 business year.

(e) Intangible assets

Other intangible assets

Other intangible assets with limited useful lives are stated at acquisition value, reduced by revaluation adjustments.

Subsequent costs

Subsequent costs associated with intangible fixed assets are only capitalized if they increase future economic benefits arising from the asset to which the cost is related. All other costs are immediately recognized as expenses in the profit and loss account at the time of their occurrence.

Depreciation

Depreciation is calculated using the accelerated depreciation method starting from the date the asset is available for use. Estimated useful lives for the current and comparative years are as follows:

- Software 2 to 5 years;
- Investments in fixed assets owned by others 1 to 5 years;

(f) Asset impairment

Financial assets

The Group assesses the value of financial assets at the reporting date to determine whether there is any objective indication of asset impairment. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with the financial asset stated at repayment cost is measured as the difference between the asset's carrying value and the value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss associated with available-for-sale financial assets is calculated using the current fair value of the asset.

Receivables that have led to a dispute with the debtor and are being claimed through court are stated as disputed. Receivables that are not expected to be collected or are not expected to be collected in a certain period of time are stated as doubtful. Value adjustments for these receivables reduce operating expenses.

Impairment estimates of important financial assets are carried out individually. The impairment of remaining financial assets is estimated collectively with regard to the assets' common risk exposure characteristics.

All impairment losses are reported in the Group's profit and loss account for the accounting period. Impairment losses are derecognized if they can be objectively associated with events that occurred after their recognition. Derecognition of the impairment of financial assets that are stated at repayment cost is reported in the company's profit and loss.

Non-financial assets

At each reporting date, the Group reviews the carrying value of non-financial assets (except deferred receivables from tax) to determine if there are any indications of impairment. If there are any such indications, the asset's recoverable value is assessed. The impairment of intangible assets with an undetermined useful life which are not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value reduced by costs of sale. In determining the asset's value in use, estimated future cash flows are discounted to their carrying value at the pre-tax discount rate that reflects current market assessments of the temporal value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows.

Employee earnings

Liabilities from short-term employee earnings are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term earning is completed.

(h) Provisions

Provisions are recognized if the Group has present legal or constructive obligation as a result of a past event which can be measured reliably, and it is probable that an outflow of economic benefits will be

required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the temporal value of money and, where appropriate, the risks specific to the liability.

Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement, and its internal job classification, the Group is obliged to pay long-service bonuses and severance payments to employees, and has created long-term provisions for this purpose. There are no other pension liabilities.

(i) Revenues

Revenues from goods sold

Revenues from goods sold are recognized at the fair value of payments received or the resulting receivables, reduced by returns and discounts, by resale, and quantity discounts. Revenues from sales are recognized at the moment when risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs are certain, and when the Group ceases to have effective control over the goods sold.

Revenues from sale of services

Revenues from sale of services are recognized in the profit and loss account by reference to the stage of completion of the transaction at the reporting date.

Commission

If a company within the Group acts as the intermediary in a transaction and not as a parent company, the Group's net commission is stated as revenue.

Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of lease.

(j) Financial revenues and financial expenses

Financial revenues include interest from investments, dividend revenues, changes in the fair value of financial assets at fair value reported in the profit and loss account, positive exchange rate differences, and profits from hedging instruments reported in the profit and loss statement. Interest revenues are recognized at the time of their occurrence, using the effective interest rate method.

Financial expenses include borrowing costs, negative exchange rate differences, changes in the fair value of derivative financial instruments, and losses from hedging instruments reported in the profit and loss statement. Borrowing costs are recognized in the profit and loss statement using the effective interest rate method.

(k) Income tax

Income tax on the profit or loss in the business year includes current and deferred tax. Income tax is recognized in the profit and loss account except where it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable revenue for the business year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is disclosed using the balance sheet liability method, which allows for temporary differences between the carrying value of assets and liabilities for financial reporting and for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted at the reporting date.

A deferred tax receivable is recognized to the extent that it is probable that future taxable profits will be available against which the receivable can be utilized. Deferred tax receivables are reduced by the amount of tax benefits that are not expected to be realized.

(l) Segment reporting

The Group had no defined geographical or business segments in 2008.

(m) New standards and interpretations that have not come into force

Many new standards, amendments, and interpretations of standards for the business year ended on December 31st, 2008 have not yet come into force and were not considered in the preparation of the Group's financial statements:

- **IFRS 8 Operating segments** (in effect since January 1st, 2009) introduces the so-called "management approach" into segment reporting. IFRS 8, which

will have to be applied to the company's 2009 financial reports, requires identification of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The company does not currently state segment information by geographical and business segments.

- **Revised IAS 23 Borrowing costs** (in effect since January 1st, 2009). According to this revised standard, borrowing costs should no longer be recognized as expenses; the standard requires that borrowing costs which can be directly attributed to the acquisition, construction, or production of a qualifying asset be capitalized as part of the asset's acquisition value. The revised IAS 23 will have to be applied to the company's consolidated 2009 financial statements, affecting a change in its accounting policies. The company will apply the revised IAS 23 to assets for which cost capitalization initiates on the date the change becomes effective or later.
- **Amendments to IFRS 2 Share-based payment** (in effect since January 1st, 2009) provides clarification on vesting conditions and how to account for non-vesting conditions. Non-vesting conditions must be reflected in the fair value on grant date; failure to meet the non-vesting conditions will be treated as a cancellation. Amendments to IFRS 2 have no significant effect on the company's operations as it does not use a share-based benefit system.
- **Revised IFRS 3 Business combinations** (effective July 1st, 2009). The scope of the revised standard has been modified and the definition of the term "transaction" widened. The revised standard includes a number of other changes, such as:
 - All payment components transferred by the acquirer are measured and recognized at fair value at the acquisition date, including contingent amounts.
 - Subsequent changes in contingent amounts are recognized in the profit and loss account.
 - Transfer costs excluding share and debt instrument emission costs are classified as expenses on the day of their occurrence.
 - The acquirer may choose to measure any non-controlling share at fair value at the acquisition date (total value of goodwill) or at its proportionate share in the fair value of the identifiable assets and liabilities of the acquiree.
- The revised IFRS 3 has no effect on the company's operations because the company has no shares in subsidiaries that are affected by this revision.
- **Amendments to IAS 1 Presentation of financial statements** (in effect since January 1st, 2009). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a "statement of comprehensive income". Items of income and expense and components of other comprehensive income are either presented in a single statement of comprehensive income (income statement and all non-owner changes in equity together) or in two separate statements (a separate income statement followed by a statement of comprehensive income). In its 2009 financial statements, the company will use two separate statements.
- **Amendments to IAS 27 Consolidated and separate financial statements** (in effect since January 1st, 2009). The main changes include the removal of the cost method definition from IAS 27; instead, all dividends from subsidiaries, jointly controlled companies, or associates are recognized as revenues in the separate financial statements of the investor when the right to receive dividends is established. The revised IAS 27 does not have any effect on the Group because the financial statements reported here are consolidated statements. Amendments will however affect the separate financial statements, as dividends will be recognized before they are paid out.
- **Revised IAS 27 Consolidated and separate financial statements** (effective July 1st, 2009). In the revised standard, the term "minority interest" is replaced with the term "non-controlling interest", which is defined as "equity interest in controlled companies that is not owned, directly or indirectly by the controlling company". In addition, the revised standard changes the way non-controlling interests are treated, the loss of control over the subsidiary, and the division of profit or loss and total profits between the controlling and non-controlling interest. The company has not yet fully analyzed the effects of this revision.
- **Amendments to IAS 32 Financial instruments: Recognition, and IAS 1 Presentation of financial statements** (in effect since January 1st, 2009). The revision introduces an exception to the principle

used in IAS 32 to classify instruments as equity; the amendments allow certain marketable instruments issued by the company and normally classified as liability to be classified as equity, but only if certain conditions are met. These amendments do not have any effect on the company because it has never issued marketable instruments.

- **Amendment to IAS 39 Financial instruments: Recognition and measuring** (effective July 1st, 2009).

The revised standard specifies the use of existing principles which determine whether or not special forms of cash flow risks or parts of cash flow may reflect hedge relationships. If they are to reflect hedge relationships, risks or parts of cash flow must be measured and recognized separately, although inflation can only be determined under limited circumstances. The company has not yet fully analyzed the effects of this revision.

- **IFRIC 13 Customer loyalty programs** (in effect since July 1st, 2008) addresses accounting by entities that implement or take part in customer loyalty programs. It applies to customer loyalty programs where customers are granted awards, such as free or discounted goods or services. It is expected that the Group will apply IFRIC 13 to its 2009 financial statements.

V.3.4 DETERMINING FAIR VALUE

In accordance with accounting policies of the GEN-I Group, a measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described further on. Where additional explanations regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

Tangible fixed assets

The fair value of tangible fixed assets from business combinations is equal to their market value. The market value of assets is equal to the estimated value for which assets, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment, and small tools is based on the quoted market price of similar objects.

Intangible assets

The fair value of the Group's intangible assets is determined as the present value of projected future cash flows that are expected to arise from the use or potential sale of the assets.

Operating and other receivables

The fair value of operating and other receivables is equal to the realizable value of the individual receivable. In order to determine the realizable value of operating receivables, the Group ranks its receivables according to their due date and the number of days past the due date, based on which it estimates the probability of future cash flows for individual receivables.

Operating receivables from subsidiaries and operating receivables where securities (guarantees, bills of exchange, etc.) are provided for the entire amount are considered realizable.

Derivative instruments

The fair value of forward contracts is equal to their quoted market price on the balance sheet date if the market price is available. If the market price is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the remaining maturity of the contract and the risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at the market interest rate applicable at the reporting date.

V.3.5 RISK MANAGEMENT

GEN-I's prudent approach to risk management helps the Group maintain its high level of operational quality and is crucial for attaining its business goals. The use of standard methodology and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the GEN-I Group to major risks. A detailed description of individual risks and the appropriate risk management procedures is available in the business report.

V.3.6 APPENDIXES WITH NOTES

Explanatory note 1: Intangible assets

Figures in €

Intangible assets	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Long-term deferred operating costs	153,243	32.1	83,749	27.2
Other intangible assets	324,247	67.9	194,954	63.3
Intangible assets under construction and development and advances	0	0.0	29,430	9.5
Total intangible assets	477,490	100.0	308,133	100.0

Long-term deferred operating costs refer to capitalized costs of investments in tangible fixed assets owned by others; their carrying value in 2008 increased by 4.9% compared to the year before. The Group's other intangible non-current assets include property rights and software. In 2008, their value increased by 4.6% compared to 2007.

Changes in 2007

Figures in €

Intangible assets	Long-term deferred operating costs	Other intangible assets	Intangible assets under construction and development and advances	Total
PURCHASE VALUE				
Balance at 1 Jan 2007	543	279,637	0	280,180
Other acquisitions	94,268	32,840	29,430	156,537
Balance at 31 Dec 2007	94,811	312,477	29,430	436,717
ALLOWANCE				
Balance at 1 Jan 2007	0	53,422	0	53,422
Amortization expenses	11,062	64,100	0	75,162
Balance at 31 Dec 2007	11,062	117,522	0	128,584
Carrying amount at 1 Jan 2007	543	226,215	0	226,758
Carrying amount at 31 Dec 2007	83,749	194,955	29,430	308,133

Changes in 2008

Figures in €

Intangible assets	Long-term deferred operating costs	Other intangible assets	Intangible assets under construction and development and advances	Total
PURCHASE VALUE				
Balance at 1 Jan 2008	94,810	312,476	29,430	436,716
Other acquisitions	97,402	217,802	0	315,204
Other transfers	0	29,430	-29,430	0
Balance at 31 Dec 2008	192,212	559,708	0	751,920
ALLOWANCE				
Balance at 1 Jan 2008	11,061	117,522	0	128,583
Amortization expenses	27,907	117,940	0	145,847
Balance at 31 Dec 2008	38,968	235,462	0	274,431
Carrying amount at 1 Jan 2008	83,749	194,954	29,430	308,133
Carrying amount at 31 Dec 2008	153,244	324,246	0	477,490

Acquisitions that increased the Group's long-term deferred operating costs include capitalized costs of investments in tangible fixed assets owned by others, which amounted to EUR 97,402 in 2008. Investments in other intangible non-current assets increased by EUR 217,802, mainly due to purchases of specialized software necessary to support electricity sales and trading activities.

Other explanatory notes of intangible assets

Figures in €

Depreciation / amortization per asset class	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Non-current deferred operating costs	27,907	11,062
Other intangible assets	117,940	64,100
Total	145,847	75,162

The Group's intangible fixed assets are depreciated using the accelerated depreciation method.

Explanatory note 2: Plant and equipment

Figures in €

Property, plant, and equipment	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Other plant and equipment	307,881	100.0	263,152	100.0
Total property, plant, and equipment	307,881	100.0	263,152	100.0

In 2008, the carrying value of the Group's other plant and equipment increased by 17% compared to the year before. Office furniture and equipment accounted for the majority of tangible fixed assets.

Changes in 2007

Figures in €

Property, plant, and equipment	Other plant and equipment	Total
PURCHASE VALUE		
Balance at 1 Jan 2007	47,025	47,025
Other acquisitions	273,179	273,179
Disposals	-3,904	-3,904
Balance at 31 Dec 2007	316,300	316,300
ALLOWANCE		
Balance at 1 Jan 2007	20,748	20,748
Disposals	-2,765	-2,765
Depreciation expenses	35,165	35,165
Balance at 31 Dec 2007	53,148	53,148
Carrying amount at 1 Jan 2007	26,277	26,277
Carrying amount at 31 Dec 2007	263,152	263,152

Changes in 2008

Figures in €

Property, plant, and equipment	Other plant and equipment	Property, plant, and equipment under construction and in production	Total
PURCHASE VALUE			
Balance at 1 Jan 2008	290,405	25,895	316,300
Other acquisitions	162,729	-25,895	136,834
Write-offs	-1,307	0	-1,307
Balance at 31 Dec 2008	451,828	0	451,828
ALLOWANCE			
Balance at 1 Jan 2008	53,148	0	53,148
Writ-offs	-115	0	-115
Depreciation expenses	90,914	0	90,914
Balance at 31 Dec 2008	143,947	0	143,947
Carrying amount at 1 Jan 2008	237,260	25,895	263,155
Carrying amount at 31 Dec 2008	307,881	0	307,881

Acquisitions of other plant and equipment amounted to EUR 162,729 in 2008. Most of the Group's acquisitions refer to equipment purchased for GEN-I, d.o.o. and its Serbian subsidiary GEN-I d.o.o. Beograd, including office, computer, and other equipment. All of the tangible fixed assets reported here are owned by the individual companies and are free from any charges.

Other explanatory notes of plant and equipment

Figures in €

Depreciation / amortization per asset class	2008	2007
Depreciation of equipment	90,914	35,165
Amortization of intangible assets	145,847	75,162
Total	236,761	110,327

The Group's tangible fixed assets are depreciated using the straight-line depreciation method and its intangible non-current assets are depreciated using the non-linear depreciation method.

Explanatory note 3: Other investments

Figures in €

Other investments and other financial investments	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Other investments	20,000	73.5	0	0.0
Other receivables associated with financial assets	7,201	26.5	257,592	100.0
Total non-current investments	27,201	100.0	257,592	100.0

Explanatory note 4: Non-current operating receivables

Figures in €

Non-current operating receivables and loans	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Operating receivables due from subsidiaries	50,075	100.0	0	0.0
Total non-current operating receivables	50,075	100.0	0	0.0

Non-current operating receivables include a long-term deposit paid to the electricity exchange operator Borzen, organizator trga z električno energijo, d.o.o.

Explanatory note 5: Operating receivables

Figures in €

Operating receivables	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Operating receivables from customers	60,618,590	76.5	20,114,122	67.7
Interest receivables	65,175	0.1	11,832	0.1
Other operating receivables	14,314,342	18.1	3,672,363	12.4
Advances paid	3,241,029	4.1	755,425	2.5
Short-term deferred costs and/or expenses	495,428	0.6	2,356,179	7.9
Short-term accrued revenues	548,572	0.6	2,803,164	9.4
Total operating receivables	79,283,136	100.0	29,713,085	100.0

The consolidated operating receivables amounted to EUR 79,283,136, which is 167% more than in the year before. The most notable increase was recorded in operating receivables from customers, which represented 76.5% of the Group's total consolidated operating receivables.

Other operating receivables increased as well, exceeding last year's receivables by EUR 10,641,979. They include current receivables from input VAT and current receivables from corporate income tax.

Another important component of current receivables in terms of consolidated value were current advances paid, amounting to EUR 3,241,029, which is 4.1 percentage points more than in the previous year.

Impairment of receivables

Figures in €

Impairment of receivables in compliance with accounting policies	Total outstanding receivables 31 Dec 2008	Receivables not yet due 31 Dec 2008	Receivables due			31 Dec 2008	
			Up to 90 days	91 To 180 days	181 To 360 days	Over 360 days	
Current trade receivables	60,838,640	46,799,188	9,234,072	4,442,341	310,206	52,834	
Other current receivables	14,379,518	14,367,051				12,467	
Current advances receivables	3,241,029	837,512	1,219,189	1,123,500	50,000	10,828	
Total current receivables	78,459,187	62,003,751	10,453,261	5,565,841	360,206	76,129	
Impairment of receivables	220,051		16,634	142,228	60,750	440	
Doubtful and disputed receivables	57,091		23	492	14,187	42,389	
Impairment of doubtful and disputed receivables	57,091	0	23	492	14,187	42,389	
Total receivables	78,516,278	62,003,751	10,453,284	5,566,332	374,393	118,518	
Total impairment of assets	277,142	0	16,657	142,720	74,937	42,829	

Receivables are impaired if their carrying value exceeds their repayment value. Impairment of receivables increases the Group's financial expenses.

In 2008, the Group classified EUR 277,142 of GEN-I, d.o.o.'s receivables as disputed. The Group also initiated court action to collect debt or filed insolvency or liquidation procedures for receivables in the amount of EUR 57,091 and stated them separately. The remaining disputed receivables refer to outstanding receivables in the amount of EUR 220,051; because of sufficient material evidence regarding the debtor's difficult solvency situation, the Group does not expect to collect these amounts.

Figures in €

Impairment receivables in compliance with the group's accounting policies	Impairment	Increase of impairment	Receivables write-off	Impairment
	Balance at 1 Jan 2008	Generated from 1 Jan to 31 Dec 2008		Balance at 31 Dec 2008
Current trade receivables	0	218,201	1,850	220,051
Doubtful and disputed receivables	0	57,091	0	57,091
Total	0	275,292	1,850	277,142

Figures in €

Current receivables	31 Dec 2008		31 Dec 2007	
	Gross amount	Allowance	Carrying amount	Carrying amount
Current trade receivables	60,838,640	-220,051	60,618,589	20,114,122
	14,379,517	0	14,379,517	3,684,195
Other current receivables				
Current advances receivable	3,241,029	0	3,241,029	755,425
Doubtful and disputed receivables	57,091	-57,091	0	
Total	78,516,278	-277,142	78,239,135	24,553,742

Advances

Figures in €

Advances paid	31 Dec 2008	31 Dec 2007
Other advances	3,241,029	755,425
Total advances paid	3,241,029	755,425

The Group's current advances mainly include advances for current assets and current deposits paid (cross-border capacity rights auctions, a security deposit for a part of basic trading infrastructure on the German energy exchange (European Energy Exchange AG), and the Italian electricity exchange (GME – Gestore del Mercato Elettrico SpA)).

Explanatory note 6: Loans and deposits

Figures in €

Loans and deposits	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Current deposits	1,736,356	41.0	2,402	0.1
Loans granted to others	2,589,148	59.0	2,496,890	99.9
Total current investments and loans	4,325,504	100.0	2,499,292	100.0

On December 31st, 2008 the Group reported deposits with commercial banks in the amount of EUR 1,736,356 and loans granted to other entities in the amount of EUR 2,589,148.

Figures in €

Changes in loans and deposits	Loans to others		Current deposits	
	2008	2007	2008	2007
Opening balance at 1 Jan	2,496,890	359,998	2,402	0
Acquisitions: increases	2,592,258	2,136,892	1,733,955	2,402
Sales: decreases	-2,500,000			
Balance at 31 Dec	2,589,148	2,496,890	1,736,357	2,402

In 2008, the total amount of loans given and deposits paid by the Group increased by 73%.

Explanatory note 7: Interest and maturity of loans

Figures in €

Loans and deposits	31 Dec 2007	31 Dec 2008	6 To 12 months	Year of maturity of the last interest rate: installment	Effective of the last interest rate: fixed
Loans granted to others	1,900,000	2,589,148	2,589,148	2009	6.1710
Loans granted to others	591,180	0	0	0	0.0000
Deposits granted	8,112	1,736,356	1,736,356	2009	1.9000
Total loans granted and deposits	2,499,292	4,325,504	4,325,504	0	0.0000

Loans were granted to other entities at a 6.171% interest rate. The interest rate for deposits was 1.9% in line with the relevant interest rate policies regarding commercial bank deposits.

Explanatory note 8: Cash and cash equivalents

Figures in €

Cash and cash equivalents	31 Dec 2008	31 Dec 2007
Bank account balances	4,086,815	3,972,395
Deposits of up to three months	516,310	0
Cash in hand	177	63
Cash and cash equivalents	4,603,302	3,972,458
Total	4,603,302	3,972,458

Cash and cash equivalents include bank account balances, cash in hand, and current deposits with maturity periods of up to three months.

Explanatory note 9: Equity and reserves

Equity and capital reserves consist of monetary contributions by owners of controlling companies and amounts that appear during current operations that belong to owners.

Reserves

Figures in €

Reserves	31 Dec 2008	31 Dec 2007
Legal reserves	488,192	89,064
Total	488,192	89,064

From the net profit generated in the business year, the parent company GEN-I, d.o.o. created additional legal reserves in the amount of EUR 260,802; on December 31st, 2008 legal reserves totaled EUR 488,192.

Retained earnings

Figures in €

Retained earnings	31 Dec 2008	31 Dec 2007
Net profit or loss for the period	10,163,849	3,679,061
Retained net profit or loss	587,293	-60,869
Total	10,751,142	3,618,192

In 2008, the Group's net profit or loss in the accounting period increased by 176.26% compared to the year before. Its retained net profit in 2008 amounted to EUR 10,751,142.

Explanatory note 10: Non-current provisions**Non-current provisions 2007**

Figures in €

Provisions	Provisions for severance payments and long-service bonuses	Total provisions
Balance at 1 Jan 2007	28,226	28,226
Setting-up of provisions	7,875	7,875
Balance at 31 Dec 2007	36,101	36,101
Of which non-current	36,101	36,101

Non-current provisions 2008

Figures in €

Provisions	Provisions for severance payments and long-service bonuses	Total provisions
Balance at 1 Jan 2008	36,101	36,101
Setting-up of provisions	8,544	8,544
Balance at 31 Dec 2008	44,645	44,645
Of which non-current	44,645	44,645

The Group created provisions for severance payments and long-service bonuses based on the current value of its liabilities to employees. Provisions for liabilities to employees in the form of severance payments and long-service bonuses were created based on an actuarial calculation for GEN-I, d.o.o. The discount interest rate chosen was 7.75% p.a., which was the return on 10-year high-rated bonds in the euro area at the end of November 2008. Liabilities were calculated using the projected unit credit method.

Assumptions are based on the actual state at the time of the actuarial calculation. Actuarial deficits (surpluses) resulting from severance payments and long-service bonuses were immediately recognized in the profit and loss account as expenses (revenues). In 2008, the Group created additional provisions in the amount of EUR 8,544; provisions were not disbursed.

Explanatory note 11: Deferred taxes

Figures in €

Deferred taxes relating to	Receivables		Liabilities		Net result	
	2008	2007	2008	2007	2008	2007
Property, plant, and equipment	23,542	12,356	0	0	23,542	12,356
Provisions for severance payments and long-service bonuses	8,469	7,076	0	0	8,469	7,076
Deferred tax assets (liabilities)	32,011	19,432	0	0	32,011	19,432
Net deferred tax assets (liabilities)	32,011	19,432	0	0	32,011	19,432

Deferred tax receivables include corporate income tax payments that will be reimbursed to the taxable person over future periods in the form of reduced income tax installments. They are the result of temporary deductible differences and transfers of unused tax losses or tax credit notes to future periods.

All the Group's deferred tax receivables are recognized in the profit and loss account. In 2008, the Group increased deferred tax receivables as follows:

- Non-deductible tax provisions in the amount of 50% were created for severance payments and long-service bonuses;
- Provisions were created for the depreciation of fixed assets for which depreciation exceeded the amount deductible for tax purposes.

Figures in €

Changes in temporary differences in the period	31 Dec 2006	Recognized in profit or loss	31 Dec 2007	Recognized in profit or loss	31 Dec 2008
Intangible assets	4,806	7,550	12,356	12,579	24,935
Provisions for severance payments and long-service bonuses	6,492	584	7,076	0	7,076
Total	11,298	8,134	19,432	12,579	32,011

Explanatory note 12: Current financial liabilities

Figures in €

Current financial liabilities	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Loans from banks	14,082,428	99.7	4,655,000	100.0
Other financial liabilities	46,393	0.3	0	0.0
Total current financial liabilities	14,128,821	100.0	4,655,000	100.0

Loans received were initially recognized at their fair value reduced by acquisition costs. At the reporting date, they were measured at repayment value using the effective interest rate method, taking into account acquisition costs, discounts, and premiums.

As a result of the Group's growing scale of operations and expansion to new markets, its current financial liabilities in 2008 increased by EUR 9,473,821 compared to 2007.

Explanatory note 13: Current operating liabilities

Figures in €

Current operating liabilities	31 Dec 2008	Portion (%)	31 Dec 2007	Portion (%)
Current advances payable	884,072	1.6	74,100	0.4
Current trade payables	42,309,435	75.2	19,129,086	92.3
Current trade payables to subsidiaries	0	0.0	117,116	0.6
Current payables from operations for third-party account	535	0.0	264	0.0
Current payables to employees	239,422	0.4	130,961	0.6
Current payables to state and other institutions	11,477,603	20.4	635,108	3.1
Current payables to others	9,046	0.0	55,824	0.3
Current operating liabilities	54,920,113	97.6	20,142,459	97.2
Current interest payables	271,648	0.5	18,732	0.1
Accrued costs and deferred revenue	1,067,859	1.9	559,909	2.7
Current operating liabilities	56,259,620	100.0	20,721,100	100.0

Current advances payable include advances for electricity received from domestic and foreign entities; these amounted to 1.6% of the Group's total current operating liabilities.

Current trade payables accounted for the majority of the Group's current operating liabilities, representing a 75.2% share in the total current operating liabilities. They mainly include trade payables for electricity purchases and the associated variable costs.

Current payables to employees amounted to 0.4% of the Group's total current operating liabilities and include liabilities for December salaries and other employee earnings.

Current payables to state and other institutions also accounted for an important share in the Group's current operating liabilities; they included liabilities for VAT payments, excise duties, and employment-related liabilities payable by the employer. Payables to state and other institutions represented a 20.4% share in the total current operating liabilities.

Current interest payables accounted for 0.5% of the Group's total current operating liabilities.

Accrued costs and deferred revenues mainly refer to accrued costs or expenses arising from differences between the expected electricity supply and consumption according to schedules and actual realization, acquisition of green certificates, costs of cross-border capacity rights, and electricity purchases.

Explanatory note 14: Cost and maturity of loans

Figures in €

Financial liabilities	Currency	Loans 31 Dec 2007	Interests 31 Dec 2008	Loans 31 Dec 2008	Loans at the last day after maturity			Nominal interest rate	Insured part	Description of insurance
					up to 6 months	6 To 12 months	Year of maturity of the last installment			
Loans from banks (up to 3 months)	€	0	0	2,000,000	2,000,000	0	2009	1M EURIBOR +2.25%	2,000,000	10 blank bills of exchange, guarantee
Revolving loans from banks	€	4,279,711	281,149	3,609,330	0	3,609,330	2009	3M EURIBOR +1.45%	3,609,330	10 blank bills of exchange
Revolving loans from banks	€	394,020	282,820	8,472,768	0	8,472,768	2009	1M EURIBOR +1.6%	8,472,768	10 blank bills of exchange
Loans from banks	€	0	0	330	330	0	2009	negative balance		
Total financial liabilities	0	4,673,731	563,969	14,082,428	2,000,330	12,082,098	0		14,082,098	

Explanatory note 15: Fair values

Figures in €

Fair values	31 Dec 2008		31 Dec 2007	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Non-current financial receivables	7,201	7,201	257,592	257,592
Non-current operating receivables	50,075	50,075	0	0
Current deposits	1,736,356	1,736,356	2,402	2,402
Current deposits	2,589,148	2,589,148	2,496,890	2,496,890
Operating receivables	79,283,135	79,283,135	29,713,085	29,713,085
Cash and cash equivalents	4,603,302	4,603,302	3,972,458	3,972,458
Non-current provisions	-44,645	-44,645	-36,101	-36,101
Liabilities for loans at variable interest rates	-14,128,821	-14,128,821	-4,655,000	-4,655,000
Current operating liabilities	-56,259,620	-56,259,620	-20,721,100	-20,721,100
	17,836,131	17,836,131	11,030,226	11,030,226

Explanatory note 16: Contingent liabilities

Figures in €

Contingent liabilities	31 Dec 2008	31 Dec 2007
Guarantees and securities – other	23,882,166	24,264,113
Guarantees and securities – subsidiaries in Slovenia	1,038,000	4,001,127
Total	24,920,166	28,265,240

In 2008, contingent liabilities for bank guarantees mainly included liabilities for guarantees issued by various banks at the request of GEN-I, d.o.o. and its subsidiaries. They included performance and payment guarantees, such as:

- Performance guarantees (14.9% of all guarantees issued)
- Bid guarantees (70.8% of all guarantees issued)
- Guarantees for the timely payment of goods and services (14.3% of all guarantees issued)

The maximum maturity period of these guarantees is one year; in exceptional cases, they can also be issued for a period of up to two years.

Explanatory note 17: Revenues

Figures in €

Operating revenues	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Revenues from sale of services	440,759	487,336
Revenues from rents	11,238	3,212
Revenue from goods sold	377,512,842	153,257,682
Other operating revenues	184,238	213,363
Total	378,149,077	153,961,593

In 2008, net revenues from goods (mainly electricity) sold amounted to EUR 377,512,842 or 99.83% of the Group's total net operating revenues. Compared to 2007, revenues from goods sold increased by 146.33%.

The Group generated revenues from sale of services in the amount of EUR 440,759 in 2008, or 9.56% less than in the year before. The majority of these revenues resulted from the Group's main activities; that is, electricity trading and sales.

In 2008, revenues from rents increased by EUR 8,026, rising 249.87% compared to the previous year.

The Group's other operating revenues in 2008 included the reversal of provisions for cross-border capacity rights in 2007 and operating revenues from revaluation; they amounted to a total of EUR 184,238, which is 13.65% less than in the year before.

In 2008, the Group's total operating revenues were EUR 378,149,077, up 145.61% on the previous year.

Figures in €

Other operating revenues	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Reversal of write-offs and liabilities write-offs	227	0
Other operating revenues	184,011	213,363
Total	184,238	213,363

Figures in €

Revenues generated in Slovenia and abroad	Generated in Slovenia	Generated abroad	Total
	Generated from 1 Jan to 31 Dec 2008		
Revenues from sale of services	1,986	438,773	440,759
Revenues from rents	11,236	2	11,238
Revenues from goods and materials sold	197,767,727	179,745,115	377,512,842
Total	197,780,949	180,183,890	377,964,839

In 2008, the Group generated EUR 197,780,949 in revenues from the sale of goods and services and rents in the domestic market, and EUR 180,183,890 in revenues in foreign markets.

Explanatory note 18: Cost of goods, materials, and services

Figures in €

Cost of goods, materials, and services	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Cost of goods and materials sold	357,949,439	140,011,871
Cost of energy	40,291	19,684
Cost of materials and spare parts	24,964	25,820
Office supplies	35,762	25,136
Other material costs	29,302	7,433
Transportation	124,686	383,114
Maintenance	26,967	219,049
Rents	361,043	167,745
Bank charges and other fees	338,501	167,295
Intellectual services	595,188	301,987
Contractual work and student temporary work	160,925	122,496
Advertising, promotion, and public relations	242,544	88,719
Insurance	47,046	9,944
Entertainment	49,377	24,173
Telecommunications	18,081	5,705
Public utility services	1,628	605
Safety	0	80
Cleaning	9,816	6,812
Training	27,075	10,956
Other services	508,478	473,806
Information-technology costs (IT)	152,970	3,064
Total	360,744,083	142,075,494

The costs of goods sold include electricity purchases and associated costs, and represents 99.23% of the Group's total expenses.

The Group's costs of services mainly include rent paid for company offices, costs of intellectual services, bank fees, sponsorship costs, and costs of other services.

Figures in €

Cost of auditing services	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Auditing of the annual report	45,967	11,430
Other cost of auditing	600	1,455
Total	56,567	12,885

Costs of auditing services include costs associated with auditing the Group's annual report and other auditing services.

Figures in €

Minimum lease payments under irrevocable operating lease	2008	2007
< 1 year	49,000	0
> 1 – < 5 years	199,440	60,732
Total	248,440	60,732

Explanatory note 19: Labor costs

Figures in €

Labor costs	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Wages and salaries	1,947,527	884,537
Social security contribution	287,677	168,351
Other labor costs	224,289	375,413
Total	2,459,493	1,428,301

In 2008, the Group calculated labor costs in line with collective agreements for the electricity sector in countries where GEN-I, d.o.o. and its subsidiaries operate, the job classifications used by individual companies within the GEN-I Group, and individual employment contracts.

Wages and salaries amounted to EUR 1,947,527 in 2008, social security contributions to EUR 287,677, and other labor costs to EUR 224,289.

Labor costs include wages and salaries, social security contributions, additional pension insurance, and other labor costs (allowances for meal expenses, transportation costs to and from work, annual leave pay, long-service bonuses, etc.).

In 2008, total labor costs increased by 72.20% compared to the year before, mainly because of the new employees that were hired.

Figures in €

Employees benefits	31 Dec 2008	31 Dec 2007
Liabilities based on actuarial calculations	44,645	36,101
Total	44,645	36,101

Explanatory note 20: Depreciation

Figures in €

Amortization and depreciation	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Amortization of intangible assets	145,847	75,162
Depreciation of plant and equipment	90,914	35,165
TOTAL	236,761	110,327

The Group's fixed assets are depreciated individually using the straight-line depreciation method and, in the case of some intangible fixed assets (investments in fixed assets owned by others, software), using the accelerated depreciation method.

Depreciation amounted to EUR 236,761 in 2008, which is 114.60% more than in the previous year.

Explanatory note 21: Other operating expenses

Figures in €

Other operating expenses	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Taxes and charges irrespective of profit or loss	0	17,080
Donations	5,505	11,652
Setting-up of provisions	8,543	7,876
Contributions to political parties, trade unions, etc.	2,000	0
Other operating expenses	327,316	3,605,413
TOTAL	343,364	3,642,021

Explanatory note 22: Financial revenues and expenses

Figures in €

Profit or loss from financing	Generated from 1 Jan to 31 Dec 2008	Generated from 1 Jan to 31 Dec 2007
Interest revenues	528,769	958,390
Net foreign exchange revenues	283,056	0
Net financial revenues	811,825	958,390
Interest expenses	-564,357	-3,020,454
Net foreign exchange loss	0	-19,240
Net change (expenses) in fair value of financial assets through P/L	-1,882,349	0
Impairment of receivables	-277,142	-2,188
Net financial expenses	-2,723,848	-3,041,882
Profit or loss from financing	-1,912,023	-2,083,492

In 2008, the Group's financial revenues from interest amounted to EUR 528,769 and included revenues from interest on current loans given to other entities. Net foreign exchange revenues amounted to EUR 283,056.

Financial expenses from interest totaled EUR 564,357 in 2008. The Group's net expenses from changes in the fair value of assets stated in the profit and loss (from trading with financial forward contracts) amounted to EUR 1,882,349.

Write-offs refer to impairments and write-offs of receivables due to customers' inability to settle their obligations. Based on internal criteria used for individual customers, the Group revaluated receivables from customers that are not expected to settle their outstanding liabilities due to their difficult solvency situation.

The Group impaired and wrote off operating receivables in the amount of EUR 277,142 or 0.35% of its total operating receivables.

Explanatory note 23: Taxes

Figures in €

Taxes	2008	2007
Current tax	2,302,083	942,899
Deferred tax	-12,579	-8,134
Total	2,289,504	934,765

In 2008, the Group reported corporate income tax in the amount of EUR 2,302,083 and deferred tax receivables in the amount of EUR 12,579.

Deferred tax receivables totaling EUR 12,579 include additional provisions for severance payments and long-service bonuses in the amount of EUR 8,469 and depreciation of intangible fixed assets not recognized for tax purposes in the amount of EUR 4,110.

Effective tax rate calculation

Figures in €

	2008	2007
Gross profit before tax	12,453,353	4,621,958
Applicable tax rate	22	23
Income tax at applicable tax rate, prior to changes in tax base	2,739,738	1,063,050
Non-deductible expenses	85,170	82,959
Effect of tax rates in foreign jurisdictions	-535,404	-203,110
Effective tax rate	18.38%	20.40%
Current and deferred income tax	2,289,504	942,899

Explanatory note 24: Data on groups of persons

Gross earnings in 2007

Figures in €

Data on groups of persons	Management board	Employees under individual employment agreements
Wages and salaries	374,333	28,735
Fringe benefits and other remuneration	13,446	144
Total	387,779	28,879

Gross earnings in 2008

Figures in €

Data on groups of persons	Management board	Employees under individual employment agreements
Wages and salaries	204,630	175,574
Fringe benefits and other remuneration	392,845	41,773
Total	597,475	217,347

V.3.7 RISK MANAGEMENT

Explanatory note 25: Credit risk

Figures in €

Items	31 Dec 2008	31 Dec 2007
Non-current financial assets	27,201	257,592
Non-current operating receivables	50,075	0
Current receivables	78,173,960	24,541,910
Current interest receivables	65,175	11,832
Current deposits	1,736,356	2,402
Current loans	2,589,148	2,496,890
Cash and cash equivalents	4,603,302	3,972,458

Figures in €

Receivables	Carrying amounts	
	2008	2007
Domestic	32,646,576	8,485,559
Euro-zone countries	21,451,681	8,097,966
Countries of the former Yugoslavia	6,520,333	30,240
Other regions	0	3,500,357
TOTAL	60,618,590	20,114,122

Figures in €

Receivables	Carrying amounts	
	2008	2007
Wholesale customers	48,104,036	15,475,743
Retail customers	12,514,554	4,638,379
TOTAL	60,618,590	20,114,122

As already explained in the business report, the GEN-I Group uses an active approach to managing credit risks and financial exposure to individual business partners. Its approach is based on the consistent application of company bylaws and procedures for identifying risks and assessing exposure to them, determining the permissible limits of risk exposure, and constant monitoring of the company's exposure to risks in its dealings with individual business partners. In line with company rules, the risk-management unit analyzes the credit standing of each new trading partner and large customer that wishes to purchase electricity from GEN-I. This risk-assessment report serves as a basis for future cooperation, enabling the company to define credit lines for hedging purposes and offer new partners payment and delivery conditions adjusted to their particular risk levels. When monitoring credit risks and daily

credit line exposure, the Group divides individual partners into groups according to their credit-related characteristics (whether it is a company or a group of companies, trading partner, end-customer, or retail customer), geographical position, industry, age structure and maturity of receivables, financial difficulties in the past, and any breaches of contractual obligations based on the estimated level of risk. In order to minimize risks associated with partners' inability to settle outstanding receivables, the Group pays particular attention to using the proper financial and legal instruments when negotiating daily transactions to ensure that contractual obligations are met. These instruments are incorporated into contractual relationships with business partners based on analyses of their credit standing and relevant risk assessments.

Explanatory note 26: Liquidity risk

Figures in €

Financial liabilities 2007	Carrying amount	Contractual cash flows	Up to 6 months	6–12 Months
Non-derivative financial liabilities				
Secured bank loans	4,655,000	4,673,731	0	4,673,731
Trade and other payables	20,142,460	20,142,460	20,142,460	0
TOTAL	24,797,460	24,816,191	20,142,460	4,673,731

Figures in €

Financial liabilities 2008	Carrying amount	Contractual cash flows	Up to 6 months	6–12 Months
Non-derivative financial liabilities				
Secured bank loans	14,082,098	14,128,821	14,128,821	0
Trade and other payables	55,191,761	55,191,761	55,181,803	9,958
TOTAL	69,273,859	69,320,582	69,263,901	9,958

The liquidity of the entire GEN-I Group is managed by the parent company, which monitors and plans short-term solvency and ensures this by coordinating and planning all cash flows within the Group. At the same time, the company takes into account credit risks associated with possible late payments and poor payment discipline, which can affect the planning of incoming cash flows and the Group's investment activities.

The Group also constantly monitors and optimizes short-term surpluses and shortages of monetary as-

sets, both at the level of individual companies and the Group level. A liquidity reserve in the form of credit lines approved by commercial banks, the diversification of financial liabilities, constant adjustment of maturity periods of liabilities and receivables, and consistent collection of receivables are all factors that guarantee the Group successful cash-flow management, ensuring its purchasing power and reducing the level of short-term solvency risks. Thanks to the Group's active approach to financial markets, its good performance in the past, and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely controllable.

The Group's long-term solvency is ensured by preserving and increasing equity and maintaining a good financial balance. To achieve this, the Group adjusts its balance sheet structure to match the maturity of its financial liabilities. As part of liquidity risk management activities in 2009, the management board intends to further strengthen the Group's long-term and short-term solvency and include new subsidiaries in the liquidity monitoring system.

Explanatory note 27: Currency risk

Figures in €

Receivables, payables	Eur	Hrk	Mkd	Bam	Rsd	Huf
31 Dec 2007						
Trade receivables	16,601,457	108,459	0	0	3,404,206	0
Secured bank loans	-4,655,000	0	0	0	0	0
Trade payables	-15,466,016	-811,948	0	0	-2,967,445	-793
Gross balance sheet exposure	-3,519,559	-703,489	0	0	436,761	-793

Figures in €

Receivables, payables	Eur	Hrk	Mkd	Bam	Rsd	Huf
31 Dec 2008						
Trade receivables	51,246,839	8,305	0	0	7,507,567	1,855,878
Secured bank loans	-14,082,098	0	0	0	0	0
Trade payables	-31,820,753	-945,650	-860	-897	-4,134,592	-5,406,682
Gross balance sheet exposure	5,343,988	-937,345	-860	-897	3,372,975	-3,550,805

In markets outside the euro area, the GEN-I Group is actively involved in establishing an appropriate infrastructure for foreign currency transactions and implementing a number of currency-hedging mechanisms, including forward contracts and currency clauses.

The GEN-I Group is exposed to currency risks when evaluating trading and sales volumes of electricity and cross-border capacity rights, loans, and equity held in foreign subsidiaries. Considering the scale of its operations, the Group is exposed to currency risks associated with the Hungarian forint (HUF), Serbian dinar (RSD), Croatian kuna (HRK), Bosnia and Herzegovina convertible mark (BAM), and Macedonian denar (MKD).

Currency risks are minimized by linking selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are “naturally” reduced because a part of the expected inflows from individual companies is covered by the expected outflows in the same currency. If necessary, the Group also uses derivative financial instruments hedged with a number of forward currency contracts.

Explanatory note 28: Interest risk

Figures in €

Financial instruments	Carrying amounts	
	2008	2007
Fixed rate instruments		
Financial assets	2,500,000	2,491,180
Variable rate instruments		
Financial liabilities	14,082,428	4,673,731

The Group manages interest risks by constantly evaluating risk exposure and the possible effects of changed reference interest rates (the variable part) on its expenses from financing activities. The Group also monitors its loan portfolio, which can be affected by a change in applicable interest rates. As part of its risk management activities, the Group monitors interest rate changes in the domestic and foreign markets and derivative financial instruments markets. The purpose of the Group's ongoing monitoring activities and analyses is to suggest timely protective measures by balancing assets and liabilities in its balance sheet.

V.4

EVENTS AFTER THE BALANCE SHEET DATE

The following important event occurred after the balance sheet date:

on June 30th, 2008 a procedure was initiated to increase the equity of GEN-I d.o.o. Beograd based on a decision of the management board and entry into the "Serbian Business Registers Agency." This procedure involves a simplified increase of equity by rearranging the company's other equity categories.

The company transferred unallocated net profits from the previous year to its equity, converting it into euro at the mean exchange rate of the National Bank of Serbia on June 30th, 2008.

Because the procedure for the equity increase was not yet completed on the reporting date/balance sheet date (December 31st, 2008), the increase was not included in the balance sheet.

The company management believes that this is a very useful measure that will improve the company's credit standing and increase its financial stability. The subscription of equity in euro will help GEN-I d.o.o. Beograd ensure the stability of its equity and enable GEN-I, d.o.o. to preserve the value of its investment.

The equity increase procedure and subscription of the company's equity in euro is expected to be completed in the first half of 2009.

V.5

STATEMENT BY THE MANAGEMENT BOARD

The management board hereby certifies that this annual report and all of its components were prepared and published in accordance with the Companies Act and the International Financial Reporting Standards.

The management certifies the consolidated financial statements of the GEN-I Group for the business year that ended on December 31st, 2008 and the appendixes with notes on the consolidated financial statements from page 10 of the accounting report onwards.

The management board certifies that all relevant accounting principles were consistently used in drafting the consolidated financial statements of the GEN-I Group. Accounting estimates were prepared according to principles of prudence and due diligence. The management board also certifies that this annual report provides a fair and true account of the assets of the GEN-I Group and its performance in 2008.

The consolidated financial statements with notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Martin Novšak
Vice President of the Management Board

Robert Golob, PhD
President of the Management Board



Krško, March 17th, 2009

V.6

CERTIFIED AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholders of GEN-I, trgovanje in prodaja električne energije, d.o.o.

We have audited the accompanying consolidated financial statements of the GEN-I Group which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

Irena Uršič, B.Sc.Ec.
Certified Auditor

Ljubljana, 24 March 2009

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
Partner

KPMG Slovenija, d.o.o.
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This auditor's report is a translation of the original auditor's report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and shall not be signed.

V.7

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